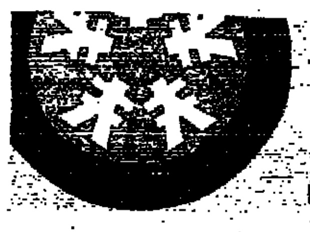
FINANCIAL TIMES



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Chasing the rising yen
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Europe's labour
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World Business Newspaper — THURSDAY APRIL 20 1995 — D8523A

Spanish politician escapes terrorist assassination plot

Spanish opposition leader, José María Aznar, narrowly escaped assassination by a terrorist car bomb in the first attempt against the life of a top political figure in Madrid since the restoration of democracy in the late 1970s. The government blamed the Basque separatist group Eta for the attack in a residential area of eastern Madrid. Mr Aznar (left), on his way to work with a police escort, was saved by the armour-plating of his chauffeur-driven Audi car. Page 2

Japanese identify subway attack gas: Japanese authorities said they had identified the gas used in the attack on the Yokohama railway system as a second world war chemical called phosgene. Page 4

Dispute over Bank of France The dispute over the role of the Bank of France and the stability of the French currency escalated with a series of sharp exchanges between the rival camps of candidates for the presidential election. Page 16; Groundwork pays dividends for Chirac, Page 3

UK nuclear sell-off closer: The £2bn ($3.2bn) privatisation of the UK's nuclear power industry moved closer after ministers decided to press ahead with preparations for privatisation before the next general election, which must be held by mid-1997. Page 16

Insurance fears after Lockerbie award: US airlines expressed concern about higher insurance premiums after a jury awarded $19m in damages to the widow of a passenger killed in the Pan Am crash over Lockerbie in Scotland. Page 8

EU bends rules on aid: The European Commission has bent its own rules on state aid in order to persuade Italy to lift a longstanding veto on closer ties between the European Union and Slovenia. Page 16

FT's London print site to close: Pearson, the media group that owns the Financial Times, plans to close the FT's London printing plant completed in 1988 at a cost of £44m ($70.4m). The company has signed a 13-year contract with West Ferry Printers, a joint venture between the Telegraph and Express newspaper groups. Page 9

Moody's downgrades Chinese banks: US ratings agency Moody's Investor Services downgraded the credit ratings of China's main banks after concluding they no longer deserved the same rating as China's sovereign borrowings. Page 4

US trade deficit falls: The US trade deficit fell almost $3bn in February to $9bn as foreign sales of goods and services rose and imports fell. Page 8

Spain plans telecoms sale: The Spanish government is preparing to sell almost half its 32 per cent share in Telefónica, the telecommunications group, by June for an estimated Pta225bn ($1.8bn). Page 18

Pakistan seeks $2.5bn aid: Pakistan faces its key western donors at the "Paris club" seeking up to $2.5bn in new external assistance for the year ahead. Page 4

ANC rift with Inkatha: The African National Congress and Chief Mangosuthu Buthlezi seem set for a confrontation over the Inkatha Freedom Party leader's call for international mediation on South Africa's constitution. Page 6

Digital's $74m beats forecasts: Digital Equipment reported higher than expected earnings of $74m (£46.2m) for its third quarter, with sales growth driven by strong demand for its Alpha workstations and servers and a jump in personal computer sales. Page 19

Steady growth for BankAmerica: BankAmerica, the US's second biggest banking group, reported a 19 per cent advance in net earnings for the first quarter, reflecting in part the slow but steady pick up in economic activity in its home state of California. Page 19

Japan to lure investors: Japan's stockbrokers are to launch a novel scheme to lure investors back to the country's stock market. Page 18

UN permits Libyan haj flights: The UN Security Council's Libya sanctions committee approved a request for 45 Egypt Air flights to ferry about 6,000 Libyan pilgrims from Tripoli and Benghazi to Jeddah, Saudi Arabia, for the haj pilgrimage.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,161.15	(-17.98)
NASDAQ Composite	813.67	(-12.07)
Europe and Far East		
CAC40	1,874.90	(+19.20)
DAX	1,951.04	(-14.25)
FT-SE 100	3,178.1	(-24.4)
Nikkei	16,376.0	(+150.97)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{15}{32}$%
3-mth Treas Bills: Yld	5.775%
Long Bond	$102\frac{11}{32}$
Yield	7.394%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{15}{32}$%	($6\frac{5}{8}$%)
UK: 10 yr Gilt	$100\frac{15}{32}$	($101\frac{1}{4}$)
France: 10 yr OAT	97.22	(97.87)
Germany: 10 yr Bund	101.77	(102.27)
Japan: 10 yr JGB	109.211	(110.241)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$18.45	(18.35)

■ GOLD

New York: Comex		
(June)	$397.4	(397.8)
London:		
close	$396.7	(393.9)

■ DOLLAR

New York lunchtime		
£	1.6145	
DM	1.35555	
FFr	4.816	
SFr	1.117	
Y	80.80	
London:		
£	1.6169	(1.6128)
DM	1.3542	(1.3677)
FFr	4.8055	(4.8153)
SFr	1.1167	(1.1279)
Y	81.06	(81.52)

■ STERLING

DM	2.1896	(2.2059)
Tokyo close:	Y 80.40	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.60	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

High yen brings fears of crisis in Japan ■ German groups may be forced abroad

Fears persist on dollar, sterling

By Philip Gawith, Gillian Tett and Philip Coggan in London

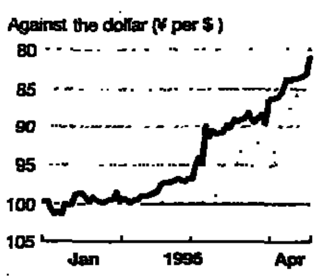
The dollar and sterling bounced back from record lows yesterday, but their respite may be short-lived as many traders believe the two currencies may have still further to fall.

The dollar's first-ever decline below Y80 prompted warnings of economic crisis in Japan and depressed US stock and bond prices. Sterling's new low of DM2.1790 against the D-Mark raised fears that UK interest rates may have to be raised to defend the pound.

The dollar's decline prompted a fresh round of calls from politicians and businessmen for a co-ordinated policy response from leading nations to the current bout of currency turmoil.

German and Japanese finance ministry officials confirmed that currencies would be discussed next week when finance ministers from the Group of Seven leading industrial nations meet in Washington. "The further the dollar falls, and the more that hurts, the more chance we have of getting something," a French official said.

Yen



Source: FT Graphite

Mr Tadahiro Sekimoto, chairman of NEC, the electronics group, warned that a "financial crisis on a global scale" was likely unless the G7 meeting took steps to "reform the fluctuating currency market".

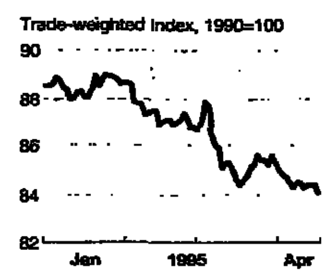
The yen's renewed rise may be evidence of the inadequacy of the country's recent economic package and discount rate cut, said Mr Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry.

The dollar's weakness is also the result of renewed trade frictions between the US and Japan. Talks in Washington about increasing US access to Japanese markets for cars and car parts appear to have stalled.

The possibility of higher rates in Britain was fuelled by the publication of comments from Mr Eddie George, governor of the Bank of England, made at a routine meeting on March 8 with Mr Kenneth Clarke, chancellor of the exchequer. Mr George suggested that emergency measures might be needed counter sterling's decline. The trade weighted index of sterling has fallen by nearly 3 per cent since March 8.

The dollar's weakness also depressed bond and share prices.

Sterling



Source: Bank of England

By 1pm in New York, the Dow Jones Industrial Average had dropped 12.1 points to 4,167.03. Earlier in London, the fear of higher rates caused the FT-SE 100 Index to fall 24.4 points to 3,170.1. UK government bonds, or gilts, fell by around ⅞ of a point.

In Frankfurt, German government bonds fell by around half a point, and the DAX stock market index was down by 10.74 points to 1,943.88 in after-hours trading.

Traders said the main reason for the dollar's rally yesterday was profit-taking by holders of yen and D-Marks rather than any change of heart about the underlying prospects for the US currency. Analysts believe sterling is a victim of its close traditional ties to the dollar and see little evidence of any independent desire to sell pounds.

There was some scepticism in UK markets about whether higher interest rates would help the pound. Raising interest rates to defend a weakening currency is widely discredited, not least among UK government officials.

However, comments by Mr Clarke from the March 8 meeting added to speculation that rates could rise from their current level of 6.75 per cent.

Yen's rise 'catastrophic', Page 4; Editorial Comment, Page 15; Lex, Page 16; Currencies, Page 27; London stocks, Page 32; World stocks, Page 36

D-Mark's strength is a threat, warns Dasa chief

By Michael Skapinker in London and Michael Lindemann in Munich

The D-Mark's strength has become such a threat that Germany's high technology companies may be forced to shift their manufacturing abroad, Mr Jürgen Schrempp, chairman-elect of Daimler-Benz, the country's biggest company, warned yesterday.

Mr Schrempp, who steps down as chief executive of Daimler-Benz Aerospace (Dasa) next month, said his own company was considering switching its manufacturing to countries with weaker currencies.

Mr Schrempp's warning contradicts statements by Mr Otmar Issing, a leading member of the Bundesbank's governing directorate, who said this week that the D-Mark's strength had brought only benefits to Germany. These included falling inflation and protection against the economy overheating.

Mr Schrempp said the weakness of the dollar against the D-Mark threatened the existence of the German aerospace industry. "It is a matter of nothing less than the survival in this country of an industry which, due to its technological breadth, is of critical importance," he said.

He said a decision by Dasa to move some of its aerospace activities abroad would result in the loss of at least 10,000 German jobs.

The dollar's current weakness is having a particularly sharp effect on Dasa because the company receives about 74 per cent of its revenue in dollars. Only 27 per cent of its costs are in dollars, with most costs in the strong D-Mark.

Unless the dollar strengthened against the D-Mark, Mr Schrempp said he did not expect Dasa to meet its earlier forecast that it would achieve profitability in 1995. Dasa recorded a loss of DM438m ($312m) in 1994, compared with DM694m in 1993.

Mr Schrempp said Dasa's

Continued on Page 16

Many die in Oklahoma City bomb attack

By George Graham in Washington

An explosion tore the side off a nine-storey US government office building in Oklahoma City, yesterday killing at least 19, including 17 children. Unconfirmed reports from rescue workers put the death toll as high as 78.

Federal investigators said the blast appeared to have been caused by a car bomb roughly the same size as the device that gutted the World Trade Centre building in New York in 1993.

Security was immediately tightened at federal buildings in Washington and elsewhere in the US and other cities.

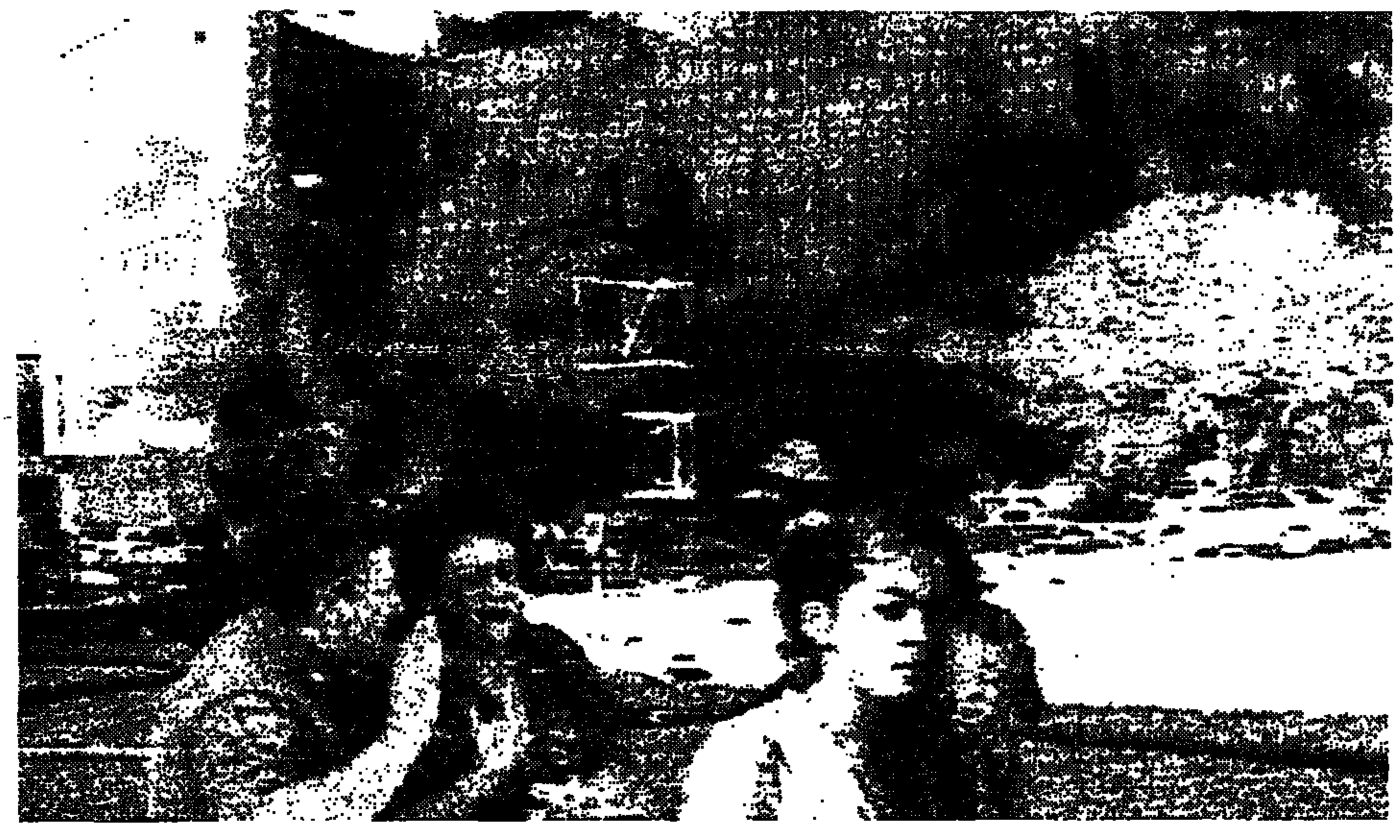
There were scenes of panic on the streets after the blast as bleeding people staggered from the wrecked building. Scores of people were treated at the scene, many lying on the streets.

Hospitals confirmed treatment of more than 100 people, most suffering from cuts and broken bones. There were reports that people were trapped in the building.

The blast blew windows out of buildings in a two-block area around the office building. It was reported to have been felt as far as 30 miles away. Cars in the area were set on fire and a plume of black smoke spread over the city of 450,000 people.

The Bureau of Alcohol, Tobacco and Firearms, a federal agency which handles many explosives cases, said the damage to the building appeared to be consistent with a bombing.

Mr John Magaw, the bureau's director, said the main explosion occurred outside the building, which houses 20 of his agency's employees as well as 500 other federal government workers.



Police help injured workers in Oklahoma City yesterday after an explosion tore apart the A.P. Murrah office building in the city centre. US federal law enforcement officials said they believed a large car bomb was responsible for the blast at the government building, which killed at least 19. Picture: KFOR TV/Reuter

"In all probability it was in a vehicle, in a car. We estimate it was about the same size as the device in the World Trade Center building, about 1,000lb," he said.

Agents were reported to have found a second bomb in the debris, but Mr Magaw said the bureau had not confirmed the existence of a second device.

Federal officials refused to speculate on who might be responsible for the blast, but Mr Magaw said the investigation would probably focus first on ter

Continued on Page 16

Ford predicts sales growth in spite of profits slowdown

By Richard Waters in New York and John Griffiths in London

Ford Motor, the second-biggest motor manufacturer in the US, yesterday predicted another "three or four years" of growth in domestic car and truck sales, despite a sharp slowdown in its own profits growth in the US in the first three months of this year.

The company's prediction follows a faltering start to the year in the North American car and light truck markets, and comes a week after Chrysler reported that its earnings had declined by a third in the first three months.

Mr David McCammon, Ford's chief financial officer, called this year's slowing in the market "just one of those potholes in the road to further improvement". Consumer income and confidence both remained high, boding well for future vehicle sales, he added.

The group reported after-tax profits of $1.55bn on sales of $34.8bn in the first quarter, compared with $1.34bn (or $904m after a one-off charge) on sales of $30.4bn the year before. Earnings per share rose from 75 cents to $1.28.

The underlying profit growth of 16 per cent in the latest three months was generated almost entirely outside the US. A continuing turnround in Europe underpinned the advance, which saw profits outside the US double to $316m.

Ford said it had more than tripled net profits on its European operations in this year's first quarter, to $165m from $53m. It said it would spend nearly £400m on a new range of diesel engines for its Dagenham plant in the UK, which is to be the sole supplier of Ford's car and van diesel engines worldwide at least until the end of the century.

The announcement of Ford's new "world" diesel is in line with its strategy to globalise its components operations. The new "Puma" engines will be produced initially at a rate of 300,000 a year.

Ford's US market share climbed to 26.6 per cent, up two percentage points from a year before and its highest level for 17 years. But its after-tax profit margin slipped to 4.2 per cent from 4.5 per cent, due in part to the fall in the dollar, which pushed up the cost of materials bought abroad and reduced profits by around $100m in the first quarter.

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Editorial Comment, Page 15

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Spanish party chief escapes Eta bomb

By David White in Madrid

Mr José Maria Aznar, the Spanish opposition leader, narrowly escaped assassination by a terrorist car bomb yesterday, in the first attempt on the life of a senior political figure in Madrid since the restoration of democracy in the late 1970s.

The government blamed the Basque separatist group Eta for the attack, which happened shortly after 8am in a residential area of eastern Madrid. Mr Aznar, on his way to work with a police escort, was saved by the armour-plating of his chauffeur-driven Audi car. He was reported to have suffered minor head injuries and was kept under observation in hospital.

Sixteen people were hurt by the explosion, which badly damaged buildings and cars. One elderly woman was in critical condition after a wall collapsed in the blast.

The bomb, believed to have contained 20kg-25kg of explosive, was in a small Fiat car. Police said the terrorists operated the device by cable to evade electronic counter-measures used by police escorts to foil radio-controlled explosions. The attackers apparently made off in another car which was blown up an hour later near Madrid's Chamartin railway station.

Mr Juan Alberto Belloch, interior and justice minister, pledged the government's "absolute determination" to finish off Eta, which he called "the worst enemy of our democracy". He appealed for "support and calm" from the public.

The attack came less than six weeks before local and regional elections in which Mr Aznar's Popular Party is expected to make strong gains against Spain's governing Socialists. Mr Aznar, who is 42, is the favourite to become prime minister when general elections are held, probably next year.

The switch in Eta tactics follows a series of police successes against the organisation in the past six months, with arrests in France, the Basque country, Navarre and Barcelona.

The last top rank politician killed by Eta was Admiral Luis Carrero Blanco, prime minister and right-hand man of General Francisco Franco, who was blown up in his car in a central Madrid street in 1973. In January an Eta gunman murdered Mr Gregorio Ordóñez, the Popular Party's candidate for mayor of San Sebastian, in the Basque city.

The PP is generally unsympathetic to demands for greater home rule, and Mr Aznar has recently insisted on maintaining the presence of the paramilitary Civil Guard in the Basque country. Mr Francisco Alvarez Cascos, PP secretary-general, said: "If they are out to radicalise the PP's stance, they have not done it. They have failed and will always fail."

Eta is blamed for about 800 killings since 1968. Its previous actions in Madrid have been against military targets, the last was nine months ago when an army general, his driver and a passer-by were killed by a car bomb.

UK flies into flak from Kinnock

By Emma Tucker in Brussels

Mr Neil Kinnock, the European transport commissioner, is heading for his first high-profile clash with the UK government in a dispute over who has the authority to negotiate far-reaching airline traffic agreements with the US.

The former leader of the UK Labour party is soon to send a letter to Mr Brian Mawhinney, the UK transport minister, urging him to desist from further negotiations on a new aviation agreement between the UK and the US.

Mr Kinnock will argue in the letter that the UK's insistence on conducting bilateral talks with the US on such issues as landing rights at Heathrow, cargo arrangements and numbers of flights, is undermining the 1993 European open skies regime, which liberalised the EU's air transport industry.

According to a Commission official, the commissioner is concerned that a US/UK deal would affect the internal aviation market.

"The Commission has the duty to safeguard internal market legislation and the balance of that internal market. The Commission feels that could be endangered by the UK negotiations," the official said.

Mr Kinnock has already written to six smaller EU member states – Belgium, Luxembourg, Austria, Finland, Sweden and Denmark – asking them to end further talks with the US on open skies arrangements. He also threatened to take member states which rejected his call to court if they concluded the accords.

Since he became transport commissioner three months ago, Mr Kinnock has faced strong opposition from Council members, particularly Britain, in his attempts to win negotiating rights for the EU.

His letter to the UK marks the first objection on negotiating procedure to one of the EU's bigger members and is likely to stir controversy in the UK, where Mr Mawhinney has defended the UK's right to negotiate bilaterally with the US.

At the last transport ministers' meeting in Brussels, Mr Mawhinney said the UK disputed "the European Commission's legal competence" to seek a negotiating mandate.

Yesterday the Department of Transport in London said: "The UK's intention is to continue to negotiate – it considers that it is its competence to negotiate."

Negotiations between the UK and the US broke down last week after the UK refused to allow greater access to Heathrow airport for US airlines.

Mr Kinnock is expected to submit a formal mandate for Brussels' authority to the next EU transport ministers' council meeting in June.

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Milosevic in overture to 'contact group'

By Laura Silber in Belgrade, John Ridding in Paris and Bruce Clark in London

Serbia's President Slobodan Milosevic, sensing disarray among the five-nation "contact group" which is trying to bring peace to former Yugoslavia, has thrown it a lifeline by stressing his willingness to keep talking.

However, the Serbian leader's latest message in a confidential letter sent on Tuesday to the governments of the US, Britain, Russia, France and Germany gives no sign of a shift in his position on questions of substance.

Differences among the contact group came out into the open yesterday, even as France won support at the United Nations for an appeal for better security for its peacekeepers and an extension of the truce which expires at the end of this month.

Mr Alain Juppé, the French foreign minister, complained that the policies of both the US and Russia were hindering the work of the five-nation team.

He told the radio station France Inter that Moscow was being too soft on Mr Milosevic while the US was not putting sufficient pressure on Bosnia's Moslem-led government. "If we all had the same desire for a solution we would succeed," he told French radio. "But the Russians. . . . are encouraging the Belgrade regime to ask too much, [and] the US is not showing the necessary determination to encourage the Sarajevo authorities to renew the ceasefire."

Faced with mounting signs of a break in the international community's ranks, Mr Milosevic has indicated in his message that he wants to keep the door open to the peace process.

Three British peacekeepers were injured, one seriously, after they walked into a minefield yesterday during a routine foot patrol in the so-called safe area of Gorazde in eastern Bosnia, Agencies report.

In Sarajevo, Bosnian Serbs raided UN-monitored weapons collection sites and, ignoring warning shots from peacekeepers, used artillery impounded there to shell the city, according to a UN spokesman.

A UN aircraft en route to Sarajevo was forced to turn back after Bosnian Serbs noted it was carrying civilians and said they could not guarantee its safety. It was the second flight diverted in as many days.

At Dubrovnik on the Adriatic coast, an artillery shell apparently fired by the Serbs landed near the airport as Croatia's prime minister, Mr Nikica Valentic, attended ceremonies for a new terminal building.

The attack appeared to be part of a campaign by the Serbs to drive home their ability to wreck any hopes of a successful tourist season in Croatia.

The letter reiterated an offer already described as inadequate by the contact group: in exchange for sanctions relief, Serbia would recognise Bosnia as a union of two mini-states, one Serb and the other a Moslem-Croat federation.

Last week, however, the Serbian president disappointed envoys from the contact group by making clear he was not interested in their offer to suspend sanctions in return for Serbian recognition of both Bosnia and Croatia.

Diplomats said that despite the lack of new proposals, western governments were pleased Mr Milosevic had written to them at all. "He may be trying to buy time, but at least it was a response," said one.

Mr Milosevic has shown himself in the past to be a master of diplomatic waiting games; and a shrewd judge of the precise moment when offering concessions can bring returns. Russian officials have already said that his existing offer should be rewarded with substantial sanctions relief.

Once singled out as the main villain in the violent disintegration of Yugoslavia, the president is now the linchpin of the peace process. However, the US remains cautious about offering him any substantial rewards.

As well as playing diplomatic hardball, Mr Milosevic appears to be continuing with efforts, both overt and covert, to undermine the position of his erstwhile proxies in Bosnia, including Mr Radovan Karadzic, the Bosnian Serb leader.

Mr Karadzic and his associates have been at pains recently to quash the suspicion that their community's political bosses have fallen out with General Ratko Mladic, the Bosnian Serb military commander.

In a public display of harmony, Gen Mladic and Mr Karadzic recently toured the battle lines on Mount Vlasic in central Bosnia, whose commanding heights were seized by government forces during the lastest round of fighting.

The walkabout did not wholly succeed in dispelling the suspicion that Mr Karadzic is a man under domestic pressure, local observers said.

However, Mr Milosevic himself faces some worries at home. He appears poised to carry out yet another purge of the Yugoslav army for its continuing clandestine support of the Bosnian Serbs.

The president of Yugoslavia, Mr Zoran Lilic, who takes instructions from the Serbian president, said last week that a "number of Yugoslav army officers would have to leave for damaging its reputation".

Nationalist critics in Belgrade say that Mr Milosevic has given too much in return for too little, and one of the few rewards he has received so far may be in danger.

The United Nations last autumn credited Belgrade for its embargo against the Bosnian Serbs with a 100-day suspension of the ban on international air traffic, sports and cultural exchanges.

Several western countries, suspicious that the embargo is being violated, would like the UN Security Council to consider more frequent reviews of the decision to suspend punitive measures.

An elderly Sarajevan gestures to a French peacekeeper while talking in the city centre yesterday EPA

Disputes delay transport aircraft plans

By Bernard Gray, Defence Correspondent

Difficulties have arisen in handing over the management of the Future Large Aircraft, the proposed European military transport aircraft.

Last September, the partners in the FLA project agreed to put the project under the management of the Airbus consortium, partly to satisfy British demands that the project be commercially managed before the UK rejoined it. However, while the existing management group Euroflag is due to be wound up in May, little progress has been made in transferring management to Airbus.

The delay is partly because of the difficulty in accommodating Italy, which is a member of the FLA team but is not a shareholder in Airbus. The feasibility study on FLA, which was due to be completed by the end of 1994 and delivered by March, has also not yet been finalised.

Details of the aircraft's specification are uncertain. There are, for example, proposals to shrink the size of the cargo hold, and to give the FLA a lower cruising speed. Both proposals would cut costs, but would also leave the aircraft competing more directly against the longstanding smaller Lockheed Hercules.

The increased capacity and speed were central parts of British Aerospace's campaign for the UK to rejoin the project last year. BAe argued that the ability to carry large loads such as the Multiple Launch Rocket System gave the FLA advantages over the Hercules.

The lack of progress in resolving the specification and management of the project is causing concern at the British Ministry of Defence. The MoD has said that it would rejoin the project this year, provided the aircraft met specification and cost and was commercially managed by Airbus.

Mr Jean Pierson, Airbus chief executive, expressed frustration earlier this year about a lack of progress in transferring the FLA to the consortium. Airbus is unwilling to take on the project as an unknown quantity, but the lack of a legal structure to accommodate Italy and design uncertainties are holding up progress.

Adding to the difficulties of the project is a dispute between British Aerospace and Dasa of Germany over which company should manufacture the aircraft's wings. A formal competition between the two for the work is likely to be held over the summer. Both companies are thought to be very keen to win the work. BAe has a dedicated wing factory at Chester, while Dasa wants to gain more sophisticated parts of Airbus work.

Romania comes warily to market

A bourse is set to open in Bucharest this summer after years of official delay, writes Virginia Marsh

Romania's first stock exchange in half a century looks set to open this summer after more than two years of foot-dragging by the country's leftwing government.

The development is all the more important after parliament's acceptance of a mass privatisation programme last month. Under that programme Romanians will receive by the end of the year shares in some 2,500 state companies – around half those earmarked for privatisation – for a combination of vouchers and cash.

Without access to well functioning capital markets, the future of many of these companies is doubtful once they are cut off from state support. Investors will need a market through which to realise holdings in companies, introducing long overdue corporate governance at enterprises.

A stock exchange is also one of the benchmark reforms which the World Bank and International Monetary Fund have made a condition of further lending to Romania – one of the last former east bloc countries to open a bourse. Romania, which only returned to international capital markets last month after a decade's absence, depends on international financial institutions and western governments for external financing.

The exchange, however, has been subject to the same infighting and delays that have dogged so many of the country's market-led reforms.

A securities bill to provide the legal framework for capital markets took a year to go through parliament, where it was finally accepted last June. It took parliament a further five months to appoint a securities commission which then had to wait until last month to receive funding. The commission, which is responsible for overseeing the exchange, has now begun to hire staff and license brokers.

The delays are due, in part, to the lack of trained specialists and limited knowledge of capital markets. Romania endured a far more repressive form of communism than most other former east bloc countries where market-led reform generally began much earlier and contact with the west was much greater.

"The government doesn't want to stop the stock market," says Mr Sorin Ovidiu Vintu, who set up the Bursa Gelsor broking firm last year. "To have capital markets, we need systems, operators and actors. It takes time in a country with almost no one experienced in this field."

However, the delays reflect both the government's unwillingness to set up an institution it cannot control, and its distrust of market mechanisms.

One of the government's main aims in drawing up the mass privatisation programme was to clamp down on the "speculators" who it claimed had been unfairly enriched by the first scheme set up in 1991 by the previous government. Then, Romanians also received vouchers to be exchanged for shares in state companies, and the scheme got off to a good start. However, implementation was blocked after the leftwing victory in the following year's general election.

Nevertheless, the experience encouraged entrepreneurs such as Mr Vintu to set up embryonic broking firms to trade in vouchers and to act as intermediaries for management and employee groups needing large quantities to buy out state companies. Almost all the 1,000 enterprises privatised so far have been sold to management or employees.

Analysts say that, by last summer, Bursa Gelsor had become one of the biggest holders of vouchers and a market maker in the paper. Together with a few other similar concerns, it controlled the street traders who buy and sell the vouchers in Bucharest's bustling central squares.

The government denounced such "indecent speculation" and many trading houses were investigated by the Financial Guard. Bursa Gelsor itself was charged with illegal retail activities and speculating in goods in short supply. Mr Vintu won the case after demonstrating the anti-speculation law referred to commodities such as potatoes rather than financial instruments.

The mass privatisation programme, however, is set to wipe out voucher trading. It was drawn up last summer by a government under pressure from international financial institutions to speed up privatisation, and which needed to boost its popularity ahead of next year's general and local elections.

Romanians will receive new non-transferable vouchers worth 875,000 lei (£290), more than double the average monthly wage. Use of the original vouchers will be limited and their value fixed at just 25,000 lei; they have fluctuated between 5,000 and 100,000 lei in the past two years.

The mass programme has been widely criticised for being difficult to implement and for the fact that only 30 per cent of the shares in each company can be exchanged for vouchers. It also excludes foreign investors who are beginning to show more interest in Romania.

Further stakes will be offered to Romanians for cash, but, in a country of high unemployment, 70 per cent inflation and low savings, shares are a luxury item for all but a few.

Local and foreign investors believe, however, that it should be easier to buy companies if the stock exchange and an over-the-counter market are allowed to develop and the mass programme takes off. And despite the ups and downs of voucher trading, many small broking houses have emerged. Together with the broking arms of local banks and investment funds, former voucher dealers are forming a brokers' association which is starting up OTC trading and will provide the founding members of the Bucharest Stock Exchange.

EUROPEAN NEWS DIGEST

Image change for Benetton

Benetton, the Italian clothing group, has signalled a change in its controversial advertising strategy, entrusting more responsibility to students at a new Benetton design school, which is to open next month. The school's 50 students will work alongside Mr Oliviero Toscani, the creative director who came up with controversial Benetton posters showing the blood-soaked clothes of a dead Croatian soldier, a dying Aids patient and, most recently, lines of different types of barbed wire. In an interview in the latest issue of Marketing, the British magazine, Mr Luciano Benetton, the group's chairman, said: "It is now the moment for something new."

Benetton explained yesterday that the group was not renouncing the shock advertising, and would not ask students of its new school – who will include talented young designers and communications specialists – to avoid controversial imagery. "The Benetton concept was not only to shock, but to be new and to experiment," said Ms Laura Pollini for the company. The group denied it was reacting to objections raised by Benetton store-owners in Germany, who have blamed a decline in business partly on the advertising, which prompted a boycott of stores. *Andrew Hill, Milan*

Çiller hesitant over troops

Mrs Tansu Çiller, the Turkish prime minister, yesterday refused to set a timetable for withdrawing her country's troops from northern Iraq, despite the urgings of President Bill Clinton for a quick pullout. "The reason I cannot announce a date is that it would not be fair to those people up in the mountains," Mrs Çiller said at a meeting with Mr Clinton in Washington. She added, however, that "the majority of the job is done", and that her troops were now searching for weapon caches in mountain caves. "We are there only for a limited time. We have a hold of the bases that we wanted," she said.

Mr Clinton, whose administration has voiced growing concern about Turkey's month-old campaign to wipe out Kurdish guerrilla camps in northern Iraq, said he hoped the operation would be "limited in duration and scope". Although Turkey has been targeted by the Clinton administration as one of the 10 emerging markets with which the US most wants to expand trade, White House officials said the campaign against the Kurdish guerrillas was at the top of the agenda at yesterday's meeting. *George Graham, Washington*

OECD sees Turkish recovery

Turkey should enjoy a moderate export-led recovery this year, assuming the government meets strict economic targets, the Paris-based OECD says in its annual report on the country. The report, published today, forecasts 2.8 per cent growth for 1995, a significant improvement over last year's 6 per cent decline. Turkey's economy collapsed a year ago following a balance of payments crisis. The OECD expects lower wages and high interest rates to keep domestic demand subdued this year, while investment should fall by 1 per cent. Inflation should decline to 70 per cent from last year's 126 per cent.

The OECD forecasts are less optimistic than the State Planning Office, which is projecting 3.8 per cent growth and a 6 per cent rise in investment this year. However, the OECD expects recovery to become more broadly based next year, as currency depreciation and a customs union with the EU increase competition. *John Barham, Istanbul*

Hungary backs utility sell-off

Hungary is to go ahead with the sell-off of its national electrical utility, but will retain a larger stake than planned. The decision, announced yesterday by Mr Laszlo Pal, minister of industry and trade, follows months of political wrangling over privatisation strategy which has endangered government hopes to generate revenue of Ft150bn ($1.26bn) from privatisations this year. The sale of Magyar Villamosmuvek, which is expected to generate the bulk of 1995 sell-off revenue, can start as soon as parliament passes the new privatisation law – expected to be in early May.

Mr Pal said the government would continue with plans to sell 50 per cent, minus one vote in the company. But the state now also wanted the same stake in the utility's power stations and regional suppliers. In December the government had announced it only wanted 25 per cent plus one vote in the stations and suppliers. Under the new model, only half the shares on sale are intended for the public. *Reuter, Budapest*

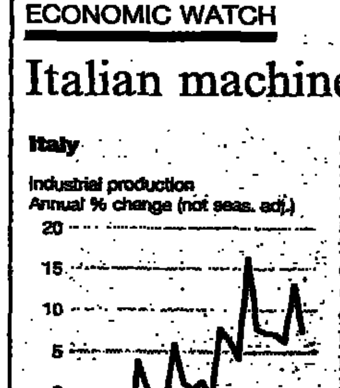
IMF support for Azerbaijan

The International Monetary Fund yesterday approved a $46m economic support programme for Azerbaijan. The support, part of a programme designed by the IMF specifically for the former Soviet states, comes after Azerbaijan has set the stage for lower inflation by tightening government credit and money supply. The IMF said the Azeri programme aimed "to stabilise prices quickly, creating an environment of low inflation conducive to a resumption of economic growth". But diplomats in Baku, the Azeri capital, believe the government has not yet taken the steps necessary for long-term economic reform and stability. One western economic analyst there said the government had yet to commit itself to stopping state bank credit to obsolete enterprises, and had made no credible plans for substantive economic restructuring.

The approval came on the day the US oil company Exxon signed a contract in Baku to join a British Petroleum-led oil consortium which will develop Azerbaijan's oil exports. Baku newspapers have said that Exxon and the Turkish Petroleum Company each paid $86m for their 5 per cent stakes in the consortium. The two companies will also effectively extend credit to the government to cover its 10 per cent stake. The consortium is developing two offshore fields in a project expected to cost $7bn. *Steve LeVine, Baku*

ECONOMIC WATCH

Italian machinery output up



Strong increases in production in Italy's precision machinery, automotive and transport machinery sectors helped lift the country's industrial output by 7.3 per cent in February, and 10 per cent in the first two months of 1995, against last year's periods. According to preliminary unadjusted figures released yesterday by Istat, the national statistics office, production in the precision machinery sector increased by 41.9 per cent in February, compared with February 1994. Automotive output rose by 16.7 per cent, and other transport machinery by 24.5 per cent. Output dropped in February in the wood, printing and editorial, and food and drink sectors. Italy's machine tool manufacturers, one of the strongest sectors, have benefited from last summer's legislation which cut taxation of profits reinvested in Italian businesses. Earlier this week the manufacturers' federation revealed that orders in the first quarter of 1995 increased by 53 per cent against the first three months of last year, and called for the fiscal incentives to be extended. *Andrew Hill, Milan*

■ Austrian year-on-year inflation in March was unchanged at 2.4 per cent.

■ Norway's foreign trade balance in March was a surplus of NKr5.03bn ($808.6m), a fall from NKr5.07bn last month.

■ Sweden's official unemployment rate held steady at 7.6 per cent in March after declines in the two opening months.

■ Registered unemployment in the Netherlands slipped by 23,000 job seekers from the comparable period a year earlier, to an average of 497,000 in the first quarter.

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John Ridding on the presidential front-runner's last big regional rally

Groundwork pays dividends for Chirac

FRENCH ELECTIONS
April 23/May 7

A chill wind blew in from the Atlantic, along the Loire estuary to the industrial port city of Nantes. But Mr Jacques Chirac, in town on the last leg of his marathon campaign trail, was set fair in his bid for the French presidency. His trek on Tuesday across the Pays de La Loire region in western France revealed much about his transformation from long shot to the hot favourite to succeed President François Mitterrand in the two-round election which starts on Sunday.

"It is down to his efforts on the ground," said an aide.

In Nantes, Mr Chirac's 35th and final big regional rally, the stakes were high. The region's five departments have diverse political allegiances; ranging from strong support for the centre-right and former president Valery Giscard d'Estaing to the Socialists. Such areas represent a test of Mr Chirac's ability to appeal beyond his Gaullist camp and will determine whether he succeeds in his journey to the Elysée Palace.

Confident and energetic in front of his 8,000-strong audience, Mr Chirac sought to extend his appeal with a strong critique of his country's fractured society. "France is cut in two. There are those who remain by the wayside and survive thanks to assistance, and there are those who are taxed more and more to support them," he declared.

This common and successful theme in the Chirac campaign was given spice by the addition of *a regional flavour. For the* local community, with its commercial traditions and an expanding base in small and medium-sized business, Mr Chirac stressed the importance of entrepreneurship and supply side solutions to the problem of unemployment. After visiting local clothing and footwear manufacturers, he pledged income tax cuts to help energise the economy and incentives for investment in growing businesses.

Seeking to respond to common concerns that such pledges risk a deterioration in France's public-sector finances, Mr Chirac cited his experience as prime minister. "The policies I implemented between 1986 and 1988 showed that the reduction of the tax burden stimulates activity and increases the receipts of the state."

In the home of France's fourth largest port, the mayor of Paris stressed the need to strengthen the country's maritime power. "We have lost our spirit of conquest," he said, referring to the golden days of General Charles de Gaulle when France expanded its *commercial fleet and* "protected our fishermen as far as the coasts of Latin America".

Banging his lectern, Mr Chirac bemoaned the decline in France's merchant marine fleet, which has slipped, he said, from the world's fifth largest to 28th in the past 20 years. He pledged a review after three years of a 1994 OECD accord to eliminate shipbuilding subsidies and voiced support for the regional naval construction industry, which has shifted along the coast to *Saint-Nazaire and changed its* clients from cargo operators to ferry and cruiser operators in its bid to survive.

Jacques Chirac: 'We have lost our spirit of conquest' Ashley Ashwood

Mr Chirac himself has shifted his stance to survive. His emphasis on social concerns and equality of opportunity reflect an attempt to broaden his support and to recruit allies across the political spectrum. In Nantes the policy was evident in the presence on the platform of Mr Hervé de Charette, the Giscardian housing minister who *gave a strong vote of support* to the Gaullist candidate.

So, too, did the audience. "He is the only one talking of real change," said one woman in a mock sailor's jacket. Her son sported the badge of the Nantes football team, on course for the French championship despite a weekend loss which ended a record winning run of 32 matches. Mr Chirac, by contrast, having played and lost two presidential elections, is now poised to end his run of defeats.

Jospin berates his 'reactionary' rivals

By David Buchan in Rouen

Mr Lionel Jospin, the Socialist presidential candidate, yesterday stepped up his attack on the front-runner, Mr Jacques Chirac, as a closet reactionary who, if elected, would rule with the same parliamentary majority as his fellow Gaullist rival, Prime Minister Edouard Balladur.

Increasingly confident of doing well enough in Sunday's first round vote to meet Mr Chirac in the decisive May 7 run-off, Mr Jospin is focusing the final days of his campaign on the mayor of Paris, and in particular his pledge not to dissolve the National Assembly if he became president.

"If he [Mr Chirac] keeps the *same majority... in what is* one of the most reactionary National Assemblies of the Fifth Republic... he will pursue the same policy" as Mr Balladur, he told a meeting at Grand Quevilly, on the outskirts of Rouen.

Mr Chirac and Mr Balladur have already said that, if they won, they would not dissolve the Assembly. This promise was designed to placate their conservative backbenchers, who do not see how, in any snap poll, they could add to the 80 per cent of Assembly seats they won in 1993.

By contrast, the Socialists only have about 9 per cent of seats. In the unlikely event that Mr Jospin wins the presidential election, he would have to call a fresh election for the Assembly to try to win a favourable majority.

It was the improbability of getting a working left-wing parliamentary majority which Mr Jacques Delors, the former European Commission president, cited last December as the decisive reason why he decided not to be the Socialists' presidential candidate.

'Think of the astonishment if the left were not represented in the election's final round'

Mr Jospin yesterday called on followers of other left-wing parties to make a start even before Sunday's first-round voting in rallying around him as their standard-bearer.

"Think of the astonishment if the left were not represented in the final round", he said. Only the top two candidates after the first round go through to the run-off. Until recently Mr Balladur was neck-and-neck with Mr Jospin for second place in the polls, behind Mr Chirac.

However, the Socialist candidate claimed to be attracting some left-wing radicals, environmentalists, and communists, even before their various presidential candidates are knocked out in Sunday's contest. He has also stopped describing as "useless" votes for other left-wing candidates. This line has irritated the camp of *Mr Robert Hue, the Communist leader and presidential candidate.*

At yesterday's meeting Mr Jospin won the endorsement of his old Socialist party rival, Mr Laurent Fabius, the former prime minister who is a Rouen deputy. Mr Fabius introduced Mr Jospin as "the next president of the Republic", words on which he would have choked five years ago when he and Mr Jospin nearly destroyed themselves and the Socialist party at the Congress of Rennes.

Russian bank plan 'risks social unrest'

By John Thornhill in Moscow

The Russian central bank's proposals to tighten reserve requirements and lift the capital adequacy ratios for domestic banks could damage the country's financial system and lead to hundreds of bankruptcies, the national banking association warned yesterday.

Mr Sergei Yegorov, the president of the Association of Russian Banks, said banks would not have sufficient assets to service depositors' accounts if they complied fully with the new requirements, risking social unrest. According to some industry estimates, only 10 per cent of Russia's 2,500 banks are sufficiently well-capitalised to match the central bank's stringent new threshold, which comes into force on May 1.

The central bank has periodically raised capital adequacy ratios towards international standards to strengthen Russia's financial system and wean out weaker companies. The bank has also been tightening its regulatory regime by withdrawing licences from fraudulent operators.

Some bankers have independently expressed support for the government's attempts to raise standards.

But other moves by the central bank – such as trying to force banks to make adequate provisions for their non-performing loans – also threaten to hit banks' balance sheets. About 35 per cent of all bank loans in Russia are estimated to be non-performing. The tax authorities have tried to discourage banks from recognising these in full, as this would mean less profit to be taxed on.

The tighter reserve requirements may make it more difficult for a consortium of Russian banks to find sufficient capital to press ahead with their recent proposals to loan the government money in return for holding in trust shares of privatised companies. But the US-based Citibank has written to the consortium's members asking if it could join and promising fresh capital.

Mr Andrei Orekhov, one of Russia's leading stockbrokers, was badly hurt and his seven-year-old child killed in an attack by unidentified gunmen in Moscow on Tuesday morning, writes John Thornhill. Mr Orekhov, general director of the Grant stockbroking house, has aided development of Russia's capital markets and recently helped stage a share sale for the Red October chocolate factory. "The risks facing people trying to build a new Russia have reached a peak. Terror is spreading to all spheres of business," a Grant statement said yesterday.

Mr Orekhov has been a forceful advocate of greater order for Russia's capital markets and has been an outspoken critic of companies which have abused the rules.

Arctic pollution 'exceeds fears'

By Anthony Robinson in London

Environmental pollution in the Arctic ocean as a result of Russian nuclear accidents, the dumping of nuclear submarines and continuous oil and heavy *metal pollution* could lead to an environmental disaster on the scale of the Chernobyl nuclear meltdown.

This warning came yesterday from Professor Alexei Yablokov, head of Russia's interagency commission on ecological security, who was addressing the Royal Institute for International Affairs in London.

"Every day, a report lands on my desk detailing fresh ecological disasters from Chechnya to Siberia and the 14 per cent of the country which can be counted as ecological disaster zones," he said.

"The situation is far worse than most people are aware of. Nuclear submarines have either been sunk in shallow water, or simply moored and abandoned. Hundreds of spent nuclear fuel rods are stored in the open with only strands of barbed wire to protect them. Nuclear pollution from unreported disasters in the Urals region alone is twice as bad as the fall-out from Chernobyl," he warned. "As a result of the mounting ecological problems, child mortality and genetic defects are rising while average life expectancy falls. Yet it is a constant battle with an indifferent government to get resources for ecological purposes," Russia's leading ecological defender said.

Earlier this month the World Bank announced it had completed negotiations with the Russian government for a $99m emergency loan to help clean up a 200,000-ton oil spill from a pipeline in the Komi republic, which threatens to pollute the Kolva, Usa and Pechora rivers that flow into the Barents sea. The spill was described by the World Bank as "one of the world's largest".

But for Prof Yablokov the Komi spill "was nothing on the Russian scale of disasters. Every year we lose between 3m-5m tons of oil a year from leaking pipelines. All the industry cares about is how much oil comes out of the end of the pipeline, not how much gets spilt."

One bright spot in a dark *picture of environmental deterioration* is an improvement in air quality thanks to a dramatic fall in output and hence emissions from Russia's heavily polluting arms and related heavy engineering plants. However, this has been partially counter-balanced by a sharp rise in car emissions.

Yen's rise catastrophic, say Japanese business leaders

By William Dawkins and Michiyo Nakamoto in Tokyo

Japanese business leaders and politicians yesterday warned that the yen's rise through Y80 to the dollar threatened economic catastrophe. They called on governments to take action to calm currency markets.

The Japan Automobile Manufacturers' Association said the high yen had pushed the economy into crisis. It said the strong yen would affect employment levels and urged the government to co-ordinate an international response.

Mr Tadahiro Sekimoto, chairman of NEC, the electronics group, warned a "financial crisis on a global scale" was likely unless next week's meeting of Group of Seven finance ministers acted to reform the currency market.

The dollar touched Y79.75 in Tokyo early yesterday, recovering slightly to just above Y80 by the evening, adding to fears that the strain on exporters might cause the economic recovery to stumble.

Others blamed the Japanese government, for failing, in a package of deregulation and public spending last week, to persuade the markets of its will to stimulate the domestic economy.

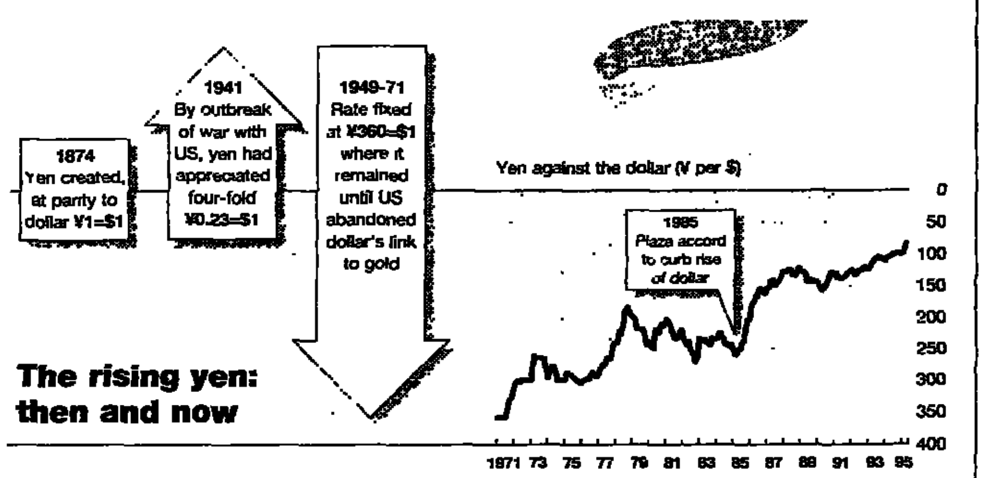
The yen's renewed rise may be evidence of inadequate government measures, Mr Kosaku Inaba, chairman of Japan's chamber of commerce and industry, said. Tokyo and Washington were to blame for failing to send a clear message of their policies, Mr Masaru Hayami, chairman of the Japanese association of corporate executives, said.

Mr Ichiro Ozawa, secretary-general of the New Frontier Party, the main political opposition, argued that fiscal stimulus, of the kind contained in the government's recent package, would never curb the yen. Its rise was a symptom of "international frustration and mistrust" in the Japanese government's ability to tackle the economic root of the problem, the current account surplus.

The Industrial Bank of Japan, lender to some of Japan's biggest exporters, has cut its growth forecast for this year from 1.5 per cent to 1 per cent, assuming the dollar steadies at Y80.

History reveals wild variation in dollar/yen rate

Currency reaches dizzy new heights



By William Dawkins in Tokyo

When seen through the optic of history, the yen's rise above Y80 to the dollar, an uncharted post-war height against the US currency, is not as extraordinary as it looks.

The Japanese currency still has a very long way to appreciate to regain the status it was given at its birth in 1874, by decree of a young Emperor Meiji, the ruler who started off the industrialisation of what was until then a feudal farming state.

Then, the yen was at parity with the dollar, both currencies being fixed at 1.5g of gold. It was Japan's first single currency, replacing the multiple rival paper notes issued by rival feudal clans, and as such an essential stage in the country's early modernisation.

Japan's late 19th-century industrialisation proved so successful that the yen quickly started to climb and continued its upward track through the early 20th century to reach Y0.23 to the dollar by the outbreak of war with the US in 1941.

After the war, the US occupying forces took the Japanese currency down several pegs, and set it at Y360 in the hope that a low exchange rate would help exporters and encourage the economy to stand on its own feet again.

In retrospect, the rate chosen by the US in 1949, with plenty of advice from the Tokyo finance ministry, was indeed generous.

Japanese industry soon found itself very competitive in export markets and the economy did so well that by the time the US abandoned the gold link, in 1971, the yen was straining at the leash.

It sprang off, to reach Y270 to the dollar a year later. The second oil crisis in 1978 brought the yen up to Y175, then it weakened again to Y250 after the European Monetary System was formed in 1979.

It was still at that rate six years later, on the eve of the 1985 Plaza Accord to curb the dollar's strength, which sent the Japanese currency spinning up again, this time to Y200.

Black Monday, the October 1987 stock market crash, knocked the dollar back to Y120.

Supported by an economic boom, the yen forged on and approached the end of the 1980s at nearly double its dollar value at the start of the decade.

Oddly, Japan's ensuing recession pushed it even higher, as weak demand for imports helped to support the huge current account surplus. By August 1993, it nearly touched Y100, a yen to the cent, then finally broke through that barrier last June, to reach what many felt were unsustainable heights.

Undeterred, the Japanese currency has continued its relentless march, passing through Y80 yesterday morning in Tokyo, another historic milestone.

See feature: Rising yen hits carmakers

Moody's cuts rating of China's big four banks

By Simon Holberton in Hong Kong

The credit ratings of China's major banks were downgraded yesterday after Moody's Investor Services concluded the banks no longer deserved the same rating as China's sovereign borrowings.

The US ratings agency said however, that China's A3 credit rating itself was unchanged and remained stable.

At the same time Moody's said it had downgraded the investment rating of Guangdong International Trust and Investment Corporation (Gitic), the provincial government of Guangdong's investment company, to Baa2 from Baa1. It said it had placed a 'credit watch' on the A3 credit rating of China International Trade and Industry (Citic).

Moody's said its downgrading of China's banks reflected China's long-term intention to change the four big banks from state development institutions into commercial banks.

Mr Edward Young, managing director of Moody's Asia Pacific, said that under government reforms the banks would have to become more commercially oriented "and there is some uncertainty as to how successful they will be".

The four banks – Bank of China, Bank of Communications, People's Construction Bank of China, and Industrial and Commercial Bank of China – had their long term bond rating cut to Baa1 from A3.

Their short term deposit ratings were cut to prime-3 from prime-2 and the long term deposit rating cut to Baa2 from A3.

The immediate impact of the downgrade on the banks is expected to be most severely felt by Bank of China. It is currently arranging a commercial paper issue in Hong Kong in excess of HK$5bn (£403m).

This issue had been keenly supported by banks in Hong Kong – mainly as a gesture of goodwill to Beijing's most important bank in the colony – but the downgrade of the bank's credit rating may give some lenders pause for thought.

The Bank of China said it deeply regretted Moody's decision. "In the end these debts are guaranteed by the state and there has been not the slightest change in this," it said.

Mr Young said there was no "trigger" for the agency's decision to cut the banks' ratings, which he said were still of "investment" grade. It reflected a continuing assessment of the evolution of China's economy.

"What we see is an evolution toward a more normal relationship between the central government and other components of the [financial] system." This meant that as the Chinese government's grip on the banks loosened so too did the sovereign nature of the banks' obligations.

Over the coming years China's banks would have to address issues relating to asset quality, management and information systems, and product development, he said.

ASIA-PACIFIC NEWS DIGEST

Pakistan seeks $2.5bn in aid

Pakistan faces its key western donors at the "Paris club" today, seeking up to $2.5bn (£1.5bn) in new external assistance for the year ahead. The event comes as most crucial economic indicators are falling behind target. Growth is expected to fall to just over 5.2 per cent, below the 6.5 per cent target, while the budget deficit is expected to reach at least 5.5 per cent of GDP from a targeted 4 per cent.

The government needs to collect up to Rs70bn (£1.4bn) in the last quarter ending in June, to meet its target of Rs240bn for the year. With collections mostly falling behind estimates for the first three quarters, doubts exist whether the target will be met. The government had planned to cut inflation to single digits. But official estimates show inflation recently rose above 14.5 per cent on a yearly basis. Independently, the figure is put at 20 per cent. *Farhan Bokhari, Islamabad*

Tigers breach Sri Lanka truce

Sri Lanka put its security forces on alert yesterday and reimposed an embargo on the northern Tamil rebel stronghold after the rebels broke a truce by sinking two gunboats, killing 12 sailors and wounding 22 in the eastern port of Trincomalee. President Chandrika Kumaratunga's office said the rebel attack was only a temporary setback to efforts to end the island's long and bloody ethnic conflict through peace talks.

The secessionist Tamil Tigers accuse the newly elected People's Alliance leader of going through the motions of peace talks to impress the donor community, the IMF and World Bank. Though the Tigers won some concessions in recent negotiations (increased fuel supplies to the north, fewer restrictions on Tamil fishermen) it failed to persuade the president to remove a strategic army camp in the north. *Reuter, Mervyn de Silva, Colombo*

Ramos rejects Spratly war fear

The Philippine government yesterday dismissed suggestions that China would go to war to secure part of the Spratly Islands claimed by Manila. A Hong Kong magazine, Wide View, reputed to be close to senior figures in Beijing, said the chances were "quite high" that a military clash would erupt between China and the Philippines over the South China Sea islands, thought to be rich in oil and minerals.

The Philippines is the second weakest claimant to the islands after Brunei in terms of military power. Vietnam, Taiwan and Malaysia have also staked claims to parts of the archipelago. All six countries signed the 1992 Manila Declaration pledging to resolve the dispute peacefully. President Fidel Ramos yesterday played down fears of war. He said a team of Filipino military officials would visit China to discuss the problem in May. *Edward Luce, Manila.*

370 hurt in new subway gas attack

By William Dawkins and Agencies

More than 370 people were taken to hospital yesterday after the first world war poison gas phosgene spread through Yokohama station, south-west of Tokyo.

Sufferers complained of painful eyes and throats after a stench of sulphur emerged from air-conditioning vents on a crowded train on the Keihin-Tohoku line and spread through the station complex, which is used by 1.5m passengers a day.

The police also announced yesterday the arrest of the deputy leader of the Aum Shinri Kyo sect, apocalyptic cult implicated in last month's Tokyo nerve gas attack, which killed 12 people and injured 5,500. Mr Kiyohide Hayakawa was arrested on charges relating to a break-in at a garage where a car was found containing materials for making guns. The charges do not directly link him to last month's subway attack.

Most Japanese will, naturally, suspect Aum Shinri Kyo of at least providing the inspiration for yesterday's incident.

Although nobody was badly injured yesterday, the incident is likely to intensify public anxiety and frustration which is already running high in the Japanese capital.

This latest attack comes after a weekend in which many residents of Tokyo stayed at home, intimidated by a Aum Shinri Kyo threat that another terrible event would occur.

According to Yokohama fire department, the gas yesterday was phosgene, a highly poisonous mixture of carbon monoxide and chlorine. How the gas came to be released was unclear. Police found about 20 containers in the station.

Police have arrested more than 100 members of the sect over the past month and seized large quantities of chemicals, including the ingredients of sarin nerve gas, plus primitive home-made guns and gun-making equipment.

The police have yet to charge anyone for organising the attack and have been made to look foolishly helpless by the attempted assassination of Japan's most senior policeman 10 days after the Tokyo gas attack.

The police were yesterday given a new legal weapon that might help their inquiries, when the Japanese parliament passed a law banning the possession, production, sale or use of chemical weapons.

The law, to take effect next month, obliges anyone holding sarin to report it to the authorities and outlaws the purchase of materials that might be used to make chemical weapons.

Anson Chan: Hong Kong's candidate for continuity

The colony's chief secretary would be the choice of many for chief executive under Chinese rule in 1997, writes **Simon Holberton**

If the Chinese government wants to send a reassuring signal about Hong Kong's future then it could do no better than appoint Mrs Anson Chan as chief executive, as the post of governor will be known when the British colony reverts to Chinese rule in 1997.

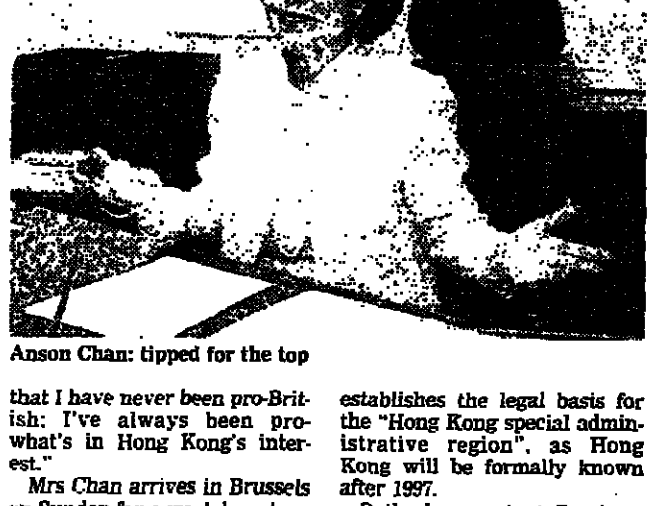
From her current position as the colony's chief secretary Mrs Chan, 55, manages Hong Kong's 180,000 member civil service and has an intimate knowledge of government. She is also popular with the people and respected by the colony's business community as someone who is not afraid to take decisions.

On paper, at least, she also has one other key ingredient: her family is well respected in China. Her mother, Fang Zhaoling, is a noted painter and her uncle is a leading orthopaedic surgeon who has treated Deng Pufang, the eldest son of China's senior leader Deng Xiaoping.

But her greatest claim to familial fame is her grandfather, Fang Gengwu. He was a general in the Nationalist army which first resisted Japan's invasion of the mainland in 1936; he was subsequently recognised by the Communist party as a patriot.

However, the prolonged row between Britain and China about Hong Kong's political development has probably damaged her chances of getting the top job after 1997, in spite of the recent soundings Beijing officials have been taking about her suitability.

"I think that they [Beijing] feel I am a lackey of the governor or just toeing his line, and bent on perpetuating British interests and British influence," said Mrs Chan in an interview. "I think those people who know me well know that I have never been pro-British: I've always been pro-what's in Hong Kong's interest."



Anson Chan: tipped for the top

Mrs Chan arrives in Brussels on Sunday for a week-long tour which takes in Brussels, The Hague and Bonn. She will meet Mr Jacques Santer, president of the European Commission, as well as the prime ministers of the Netherlands and Belgium and ministers in Bonn.

She said she would be carrying a message of cautious optimism about Hong Kong's future.

"I think one can take a cautiously optimistic view about life in Hong Kong after 1997 provided this government and the community remain committed to implementing the Joint Declaration and the Basic Law. To do that we need the co-operation of China."

The Joint Declaration is the master agreement that Britain and China struck in 1984; it provides for the orderly transfer of sovereignty from Britain to China in 1997.

The Basic Law is a Chinese law, passed in 1990, which establishes the legal basis for the "Hong Kong special administrative region", as Hong Kong will be formally known after 1997.

Both documents talk about "one country, two systems", and the principle of "Hong Kong people ruling Hong Kong" with a "high degree of autonomy". What concerns Mrs Chan most is that the current impasse between Britain and China has led Beijing to cast doubt over these promises.

"There seem to be signs that they [Beijing] read sovereignty implications into [our] every single act," she said.

"What we don't want to find is our autonomy being slowly chipped away and eroded simply by their vexation over sovereignty."

She feels this especially strongly in the case of the tussle over the court of final appeal. Britain and China agreed to set up the court – which will take over from the Privy Council in London – before 1997. Beijing has had a copy of the proposed legislation since last May but still has not given a definitive response.

Mrs Chan believes that the court is one of the institutions that will underpin the rule of law in Hong Kong. "It will take us about a year to set up the court and we want it set up so that it can acquire some jurisprudence before 1997," she said.

Mrs Chan left little doubt that the Hong Kong government would push ahead in the event that China continued to withhold its consent. The government "remains committed to trying to get the bill enacted before the end of the current legislative session which is July", she said.

The Hong Kong government is not looking for a fight with China – "we want to be able to do this in full co-operation with the Chinese" – but that between now and 1997 the current administration has the responsibility of "effectively administering Hong Kong and ensuring that we give the future government the best start".

She believes strongly that the gains won today will help define the relationship Hong Kong has with its new sovereign in the future. She accepts that some difficulties Hong Kong has with the Chinese government will evaporate when the British leave because they relate to "this suspicion [Beijing has] about the motives of the 'British Hong Kong' government".

"But I think what we mustn't forget is that our concepts, institutions, and freedoms which we value are in many ways very unfamiliar to the Chinese. The fact that we have in the Joint Declaration and the Basic Law guarantees about our freedoms doesn't mean that they will automatically happen simply because they are on paper."

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NEWS: INTERNATIONAL

US appeals to signatories to make non-proliferation treaty permanent

Gore in plea for nuclear extension

By Michael Littlejohns in New York and Bernard Gray in London

The US yesterday appealed to all the signatories of the nuclear non-proliferation treaty to vote to make it permanent.

Vice president Al Gore called the treaty central to the cause of peace and rejected point by point developing countries' *arguments against indefinite*, unconditional extension.

Addressing the United Nations conference on the future of the NPT, he also opposed moves for a decision by a secret vote if, as appears likely, a consensus on extension proves elusive.

Mr Gore's remarks came hours after China, in a break with the other nuclear powers, *took a different position on* renewal of the treaty. China said it would be prepared to consider a series of fixed-term extensions of the treaty of 25 years each, or an indefinite extension.

Non-aligned states have been arguing for a fixed-term exten*sion to the NPT because they* believe this will put greater pressure on nuclear weapons states to press ahead with nuclear disarmament. The US, Russia, Britain and France have all argued for an indefinite extension.

But Mr Qian Qichen, China's foreign minister, emphasised that Beijing wanted "the smooth extension" of the NPT *and believed there is more* agreement than difference among the parties.

If an indefinite extension were agreed, it must be made clear that this would not perpetuate the nuclear weapons states' prerogative to possess such armaments. Whichever *option prevailed, there should* be continued regular reviews.

Mr Gore said making the NPT permanent was critical because the knowledge and ability to build nuclear weapons was no longer limited to a few states but had become increasingly available.

Answering the argument of some members from developing countries that an indefinite *extension would relieve pres*sure on the nuclear powers to honour their commitments to pursue disarmaments, he said the evidence was to the contrary. The trend was "very strongly in the direction prescribed by their obligations," under the treaty.

Only recently in Geneva, Russia, France and the UK joined the US in pledging to negotiate in good faith on effective nuclear disarmament measures and this remained the goal, he said.

The US also wanted the earliest possible conclusion of a test ban treaty. "The US has already conducted its last nuclear test," Mr Gore said referring to the moratorium that President Bill Clinton had decided to extend as negotiations continued.

Mr Gore denounced efforts to decide the future of the NPT by secret ballot. "Nations who call for accountability must accept the burden of accountability," he said.

Earlier South Africa, which abandoned its nuclear ambitions even before majority rule, backed indefinite extension of the treaty, ending speculation that Pretoria favoured limited prolongation.

Now Kenya scam touches opposition

Michela Wrong on an affair tainting the entire political establishment

The multi-million-dollar export compensation scam known in Kenya as the Goldenberg affair seems to have the Midas touch in reverse. Everything it brushes *is transformed, not into gold*, but into dross. After tainting government officials and central bank executives with suspicions of graft, the infection has spread to the opposition, causing public disillusionment with the entire political establishment.

The affair, exposed in early 1992, had been simmering quietly as the central bank, police and parliament's public accounts committee explored the shady dealings at Goldenberg International, a jewellery exporting company owned by the businessman Mr Kamlesh Pattni. But findings by the public accounts committee, and the dramatic reactions they triggered, have put the affair back in the spotlight.

At issue are fictitious *exports of gold and diamond* jewellery made by Mr Pattni, who enjoyed excellent contacts with the political establishment. According to Kenya's controller and auditor general, Mr Pattni was paid unprecedented levels of government compensation on the authorisation of Mr George Saitoti, then finance minister and current vice-president, under a scheme to encourage exports of manufactured goods.

Mr Pattni then went further, tapping pre-shipment finance *facilities offered by the central* bank and winning big local currency advances from the same institution for his two banks. Advances worth $210m, according to *Mr Micah Cheserem*, the central bank governor, were never repaid.

The suspicion, voiced repeatedly by oppositions MPs and privately by multilateral donors, is that the missing funds were funnelled into electioneering expenses in the run-up to the 1992 election won by President Daniel Arap Moi, spending so lavish it sent inflation soaring and the shilling into a dive.

Negotiations are still under way between Mr Pattni and Mr Cheserem, appointed after the scandal broke, to recoup more than KSh11bn (£154m) the businessman *still* owes both the Treasury and central bank.

So a ruling last month by the public accounts committee, an opposition-dominated grouping which in theory has an interest in highlighting government misdemeanours, came as a shock. To general incredulity, the committee concluded that Mr Pattni was not only blameless *but was actually owed* KSh2.1bn by the government in export compensation arrears. His confiscated Grand Regency Hotel should be returned to him, *it added*.

"The idea that that man, or anyone involved in Goldenberg, should be given more money was absolute heresy," *said Mr Robert Shaw*, a businessman who played a leading role in exposing Goldenberg. "People were just appalled, everyone was so angry. I could see riots on the streets if the situation had continued."

The immediate assumption was that the MPs had been bought off. One committee member held a press conference to claim as much, while insisting he had refused the bribes offered his colleagues. *Eleven opposition MPs are now* calling for the committee members themselves to be probed for corruption.

Mr Kijana Wamalwa, leader *of the Ford-Kenya opposition* party who chaired the committee, was booed by party supporters on a tour of the west and there have been growing calls from the grassroots for his resignation.

Last week the government intervened to quell the furore, with Mr Musalia Mudavadi, the finance minister, telling parlia*ment he rejected the commit*tee's recommendations on Goldenberg. He acknowledged there was a real risk of violence if the public lost faith in *the legislature, judiciary and* executive.

*The outcry over the commit*tee report now threatens to change Kenya's political landscape. *Mr Wamalwa, who* replaced Mr Oginga Odinga as head of Ford-Kenya, is facing a challenge to his leadership by Mr Raila Odinga, son of the late leader.

Mr Odinga has taken the high ground in the Goldenberg affair, launching an unsuccessful private suit against Mr Saitoti, Mr Eric Kotut, former central bank governor, and four *senior government officials*. Once himself a member of the committee, Mr Odinga was dropped for violating its rules on confidentiality.

*Over the past week, the con*frontations between the two Ford-Kenya factions have grown increasingly ugly. Mr Odinga's supporters have stoned and smashed the cars of Wamalwa loyalists, while Mr Wamalwa's supporters have summoned Mr Odinga to face disciplinary hearings. He refuses to attend.

Observers predict that the badly discredited Mr Wamalwa must eventually lose the battle and with it the right to stand as a presidential candidate. *But the real loser, with both* the establishment and the opposition now under a cloud, may be the confidence the public has in a multi-party system *reluctantly introduced by the* regime more than three years ago.

"In the last election two thirds of the population voted *[albeit for a divided opposition]* against the ruling party," said Mr Shaw. "The problem now is, what's the alternative? The committee report was a blow to both multipartyism and democracy. We now risk getting complete disaffection with the political process."

*The furore over the commit*tee report has also put pressure on the government, being prodded behind the scenes by the donors, to start bringing the culprits of the Goldenberg affair to book. Accused by Mr Paul Muite, opposition deputy, of cynically planning to quash prosecutions pending over the scandal, Mr Amos Wako, attorney-general last week insisted he was determined to see them through and said the date for a trial had already been fixed.

Kuwaiti military 'waste'

An inquiry into Kuwaiti arms purchases has made accusations of widespread waste and possible graft, stirring demands for closer monitoring of state spending, Reuter reports from Kuwait.

A report by a subcommittee of the Kuwait assembly's Fact Finding Committee, investigating aspects of the crisis with Iraq that preceded the 1990-91 occupation, painted a portrait of new aircraft left to gather dust in storage, new artillery cast aside because it was too complex to use and officials awarding contracts to the highest bidders, rather than the lowest.

"Hundreds of millions of dol*lars have been spent without* any real need and without achieving the desired result, in violation of regulations," said the report. "This leads one to suspect that some profited [illegally], or allowed others to profit."

Kuwait has been the world's leading spender on arms on a per capita basis since the 1991 Gulf War as it rebuilds a defence establishment looted or destroyed by Iraq, according to the London-based International Institute for Strategic Studies.

The defence ministry declined to comment on the *report, which calls for judicial* steps against the alleged wrongdoing.

Hopes for solution in Algeria start to fade

By Roula Khalaf in London

The wave of optimism that swept Algiers earlier this month as opposition parties held renewed talks with the presidency has given way in the last few days to a new dose of realism.

The shattering of yet another fleeting hope for a political solution to the country's three-year civil strife is reinforcing observers' suspicion that Algiers' hardline generals are orchestrating a show of political dialogue to quell potential international opposition to the flow of economic aid and convince a sceptical electorate of the merits of their plans for presidential elections.

*As stepped-up military pres*sure to crush Islamist militants continued, Algeria's president Liamine Zeroual invited opposition parties ear*lier this month to discuss his* proposals to hold presidential elections by the end of the year.

The parties, while opposed to elections, nevertheless took the invitation as an opportunity to impress upon the army-backed government that a negotiated solution involving the Islamic Salvation Front – the party that was expected to win the cancelled 1992 elections – was a prerequisite for lasting peace in the country and thus for elections.

The anxiously awaited presidential response to the talks over the weekend reiterated that "*dialogue remains open* with all political partners". But the president rejected the opposition's proposals and their long list of accusations of human rights violations.

The signatories of a national contract signed in Rome in January and offering a phased solution reacted angrily yesterday.

"The authorities have their political agenda and next to it they would not mind talking from time to time," said one opposition leader.

"The dialogue is a cover, initiated to serve as argument in their relations with the world."

Next month, the board of the International Monetary Fund will be asked to approve a *$1.5bn (£930m) three-year* extended credit facility tentatively agreed with Algiers.

Approval will be followed by another rescheduling of the portion of Algeria's $26bn debt owed to government creditors, as well as other bilateral aid agreements.

Criticised for succumbing to French pressure and extending Algiers a $1bn credit last year, the IMF has been urged by countries less enthused with Algiers as well as by public pressure to link aid this year to a political solution.

France is again pushing for approval and, having lent a hand to the US in negotiations over the Mexican aid package, seems to have won the support *of the US, which has consis*tently called for dialogue with moderate Islamists.

Other European countries, however, may prove resistant.

Close contacts with the IMF say the Fund, aware that a military solution is destined to fail, has attempted to exercise leverage on Algiers. Algerian officials, however, have continuously assured the Fund that a political solution is at hand.

The Fund, while not necessarily buying these arguments, has attempted to explain to Algerian officials that economic arguments for contin*ued aid will dissipate* as the search for a political end to the crisis recedes.

Buthelezi faces clash with ANC over mediators

By Michael Holman, Africa Editor

The African National Congress and *Chief Mangosuthu* Buthelezi seem set for a confrontation over the Inkatha Freedom party leader's call for international mediation on South Africa's constitution.

A deterioration in the already strained relations between the parties carries the *risk of more political violence* in Natal, Inkatha's stronghold.

In a hitherto unpublished letter sent to Chief Buthelezi on April 13, Mr Thabo Mbeki, President Nelson Mandela's deputy, categorically rejects the proposal. It was widely thought to have been agreed to in April last year as a way of breaking a deadlock that threatened the country's first all-race election, but Mr Mbeki forthrightly disputes this.

Chief Buthelezi called off plans to boycott the poll after talks that appeared to provide for international mediators to help resolve the dispute over *the degree of devolution of* power from central government to provincial governments. He had called for greater authority for the nine *provincial administrations* than the ANC had been prepared to concede.

Many ANC officials suspect the chief is seeking a constitution which would allow him to run Natal, where Inkatha won the provincial election, as an autonomous province.

Mr Mbeki's letter, obtained by the Financial Times, accuses Chief Buthelezi of making "misrepresentations" about what was agreed, and says he has put forward "propositions with which we fundamentally disagree".

Among these, according to the letter, is Chief Buthelezi's *claim that* an agreement reached on April 19 accepted that international mediators should deal with such disputed *matters* as "federalism and pluralism".

"We would like to say most categorically that the ANC cannot accept any of these *propositions, which are con*tained in the documents you sent to President Mandela," writes Mr Mbeki.

Chief Buthelezi's mounting resentment at what he sees as ANC bad faith is reflected in a letter sent to deputy president F W de Klerk on April 10, *quoted by Mr Mbeki*, in which the Inkatha leader says: "The majority of Zulu voters ... are quite angered by the games that are being played now on this issue."

The April 19 talks last year had been preceded by an unsuccessful mission led by Lord Carrington, the former British foreign secretary, and Mr Henry Kissinger, former US secretary of state. When these failed, a Kenyan academic managed to revive the process and break the impasse.

Whether the terms of reference for the mediation remained the same is a matter *of dispute*, but most observers at the time had little doubt that the agreement did provide for further external involvement.

Mr Mbeki's letter, however, says: "The subsequent negotiations which resulted in the April 19 agreement were not continuation of the aborted negotiations, as you claim in your letter to President Mandela, in which you say 'we agreed that international mediation would resume as soon as possible after the elections and that therefore it would be the same process—which began before (the election)'."

INTERNATIONAL NEWS DIGEST

Airlines predict decade of growth

The International Air Transport Association (Iata), celebrating its 50th anniversary, yesterday predicted huge growth *generating many more jobs in the civil aviation industry* over the next decade. Iata also said it was probable figures to be issued next week would confirm its 230 member airlines in 135 countries in 1994 collectively made their first profit – about $1bn (£620m) – in five years of recession and gradual recovery.

In a speech for delivery in Havana, Mr Pierre Jeanniot, the director-general, said Iata companies carried 1,200m passengers on all services last year – equivalent to one in five of the world's population – and about 19m tonnes of freight.

The industry was badly *hit* by the recession which began at the end of the 1980s and between 1990 and 1993. Iata airlines made a total loss of $15.6bn. But an Iata spokesman in Geneva said earlier forecasts that 1994 would show marked a turnaround were likely to be confirmed when financial figures for last year are issued on April 24 when Mr Jeanniot speaks to a conference in New York. *Reuter, Geneva*

UN lifts Libya flight ban

Two airliners with Libyan pilgrims aboard left yesterday for the Moslem haj pilgrimage in Saudi Arabia as the United Nations lifted a ban on flights to and from Libya. Hundreds of Libyans at Tripoli airport applauded at the departure of the *Libyan Arab Airlines Boeing 727, taking 150 Libyan* pilgrims, as well as several from black African countries, to Jeddah.

The UN had banned flights as part of sanctions imposed over the bombing in 1988 of a Pan Am airliner over Lockerbie, Scotland, which killed 270 people. Since the ban took effect in April 1992, Libyans have been able to travel abroad only by sea or land, mainly through neighbouring Egypt or Tunisia. *Reuter, Tripoli*

Iraq protests UN oil plan

Brandishing anti-US banners, thousands of Iraqi demonstrators crammed Baghdad streets yesterday to voice their rejection of a United Nations plan allowing Iraq to sell limited amounts of oil. *About 10,000 people took to the streets* in a demonstration reminiscent of anti-US protests in the build-up to the 1991 Gulf War, when a US-led allied force drove Iraqi troops out of Kuwait.

"This resolution is American, the Iraqi people do not accept *it*," read a banner hoisted a by group of Iraqi workers. It was the largest demonstration so far against the UN resolution, already rejected by the Iraqi cabinet since it was passed by the Security Council last Friday.

The UN plan would allow Iraq to sell up to $2bn (£1.2bn) of oil over 180 days, renewable for another six months, to raise funds to pay for urgently needed foodstuffs and medicines. *Reuter, Baghdad*

NEWS: WORLD TRADE

German foreign minister seeks to rouse fresh interest in debate over post-cold war relations

US cool on Kinkel's Atlantic trade plan

By Christopher Parkes in Frankfurt

US officials last night gave a chilly welcome to a plea from Mr Klaus Kinkel, German foreign minister, for negotiations to start on setting up a transatlantic free trade zone embracing Europe and north America.

He told the Chicago Council of Foreign Affairs that the next step after the successful conclusion of the Uruguay Round was the establishment of Tafta, the Trans Atlantic Free Trade Area, which would firmly bind the two continents' destinies and give "enormous" momentum to the next wave of trade liberalisation.

However, US officials in Germany pointed out that Washington policy-makers had so far been "by and large indifferent to this idea". They were currently more concerned about economic ties with growth markets in Asia and elsewhere than with mature markets in Europe.

They were also sceptical about Germany's ability to deliver, particularly in the light of its paradoxical posture as a promoter of free trade which at the same time bent over backwards to placate French protectionists. "It is a nice idea, but they should not push it if they are not serious," one said.

For the initiative to be viewed as serious in Washington, Bonn would have to offer convincing arguments that Europe was willing to negotiate in earnest on points of contention old and new, including the common agricultural policy, government procurement contracts and trade in audio-visual products.

According to advance copies of Mr Kinkel's speech released in Germany, he appeared to be prepared to confront Paris at least over films and TV programmes. "Setting quotas for television-watchers is just as senseless as prescribing which books people may read," he said.

Despite US scepticism, the minister's intervention appeared a determined attempt to rouse more interest in the rather one-sided debate on the future of relations between the European Union and the US in the post-cold war world.

Urging the US not to turn its back on its international role, he said strong political leadership was more necessary than ever in times of upheaval.

Mr Kinkel saw Tafta as the force behind a new round of global liberalisation which must in no circumstances be seen as bloc-building.

He accepted negotiations would probably take years, but in the meantime there was work to be done on preparing an "international economic code of conduct" to govern environmental and social issues raised by sharpened competition. However, he insisted, politicisation of world trade had to be avoided.

Mr Kinkel's initiative is the latest development in a debate which has been stirring slowly in Germany for some months following a study by the Konrad Adenauer Foundation on the need to improve transatlantic relations.

The only US interest in the potential of trade in this area has so far come from Mr Jeffrey Garten, US undersecretary of commerce, who told a Berlin meeting last summer that commercial issues had become central to US foreign policy. "How we handle this aspect of our relationship with Germany will be a driving force for the broader ties we seek in the arenas of politics, security and culture," he added.

Beijing aims to channel funds into farming, transport and energy projects

China sets foreign investment priorities

By Tony Walker in Beijing

China's new foreign investment guidelines would seek to channel funds into agriculture, and infrastructure such as energy and transportation, the official Xinhua news agency reported yesterday.

The guidelines, which are now before China's State Council, or cabinet, will seek to establish priorities for investment based on the country's needs, rather than following previous practice of seeking foreign participation virtually across the board.

Officials of the State Planning Commission and Ministry of Foreign Trade and Economic Co-operation were quoted as saying that China's huge infrastructure funding requirements would absorb a large proportion of funds available.

Officials said investment guidelines would also be aimed at improving the quality of products, saving energy, cleaning up the environment and encouraging greater investment in China's hinterland.

Processing industries that wasted energy, especially those in coastal areas, would be subjected to stricter controls. Chinese officials have indicated that preferential tax policies would be phased out for investment that did not meet the new criteria.

The Xinhua dispatch quoted officials as saying that China was intent on "shifting its method of attracting foreign investment from simply giving favourable conditions to that of mutual benefit and long-term co-operation".

Inflow of cash has slowed

The new policy would also seek to balance real estate development between requirements for "affordable housing" and luxury buildings.

Much of the surge of foreign investment in 1992-93 went into building apartments and condominiums, commercial developments and hotels. Property development was hit hard by a credit squeeze instituted in mid-1993.

Investment in real estate, as a consequence, dropped last year to 28.9 per cent of total pledged foreign investment, compared with 39.3 per cent the previous year.

Foreign investment inflows have begun to slow after the hectic pace of 1992 and 1993. Figures for the first quarter showed that pledged investment was down 25 per cent on the same period last year. Numbers of new projects also dropped sharply.

By mid-year China will have utilised \$100bn in foreign investment since it opened to the outside world in the late 1970's. Utilised investment peaked last year at \$33.5bn compared with \$25.8bn the year before. Such investment this year is expected to be down about 10 per cent.

Beijing expected to return to WTO talks

By Tony Walker

China is expected to resume informal talks in Geneva next month on accession to the World Trade Organisation, but it is not clear whether these will lead to formal negotiations.

Sir Leon Brittan, vice president of the European Commission, who is on a visit to China welcomed indications he had received from officials that Beijing was prepared to return to Geneva.

But he also stressed that China must "comply at the outset with fundamental obligations" required for WTO membership, including further trade liberalisation.

The Brussels official indicated flexibility on terms for China's entry, saying full compliance with WTO requirements could be phased in over a "period of time".

Sir Leon was briefing journalists after meetings senior officials, including Mr Zhu Rongji, the executive vice premier in charge of the economy.

Beijing has not formally announced its return to WTO talks in Geneva. Officials have been saying they are reviewing options.

Talks on China's application to become a WTO member foundered last year over disagreements about the pace and scope of trade liberalisation.

Sir Leon also reported China had agreed that European interests be accorded the same benefits as those accruing to the US under market access agreements concluded earlier this year by American negotiators for entertainment and information products.

"Without non-discrimination, no satisfactory relationship is possible." he said. "That is why I welcome the clear assurances given to me that China will continue to grant equal treatment to its partners in the future, as in the past."

European Commission officials noted that "non-discrimination has been a bedrock of EU-China trade and co-operation". It was also an essential requirement for WTO membership.

In his talks Chinese officials, Sir Leon also pressed the case of European business, including improved access to the highly competitive aerospace sector.

Sir Leon is spending six days in China – his third visit since February last year – and will travel to the Chinese hinterland, including the important inland cities of Chongqing and Wuhan.

Gulf states to meet for trade talks

By Robin Allen in Cairo

An extraordinary meeting of senior ministers from the Gulf Co-operation Council states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE – is to be held in the Saudi capital Riyadh at the end of next month to review economic and trade relations with western and Asian countries.

GCC ministers of finance, economy, oil and foreign affairs will convene in advance of the regular talks between European Union and GCC foreign ministers on May 29, to find a common policy to improve economic relations with western industrial countries and Japan, and to prepare for trade talks requested by the Association of South-East Asian Nations, as well as China, Russia and Turkey. Under a 1991 declaration, the GCC could be enlarged to include Egypt and Syria for the trade talks.

GCC governments are concerned about the impact on their economies of the falling dollar, in which oil revenues are denominated, and by the prospect of an EU energy tax on oil imports. Oil revenues form 80 per cent of GCC countries' annual budget revenues.

WORLD TRADE NEWS DIGEST

Shipbuilders fear strong yen

The Shipbuilders' Association of Japan said the yen's rise against the dollar could deal a heavy blow to Japan's shipbuilding industry. "With the yen at the current level, we cannot make any new deals and we are in constant fear that the [price] negotiations which are going on at the moment may be cancelled at any time," Mr Shigeru Gohda, chairman of the Shipbuilders' Association, said.

Mr Gohda said the yen's appreciation would eventually put pressure on Japan's shipbuilders to raise ship prices. Price differentials between South Korea and Japan were as wide as 30 per cent in 1993, which enabled South Korea to surpass Japan as the world's top shipbuilder with new orders of 9.51m gross tonnes (GT) against Japan's 6.93m GT. However, Japan cut prices drastically and struggled back to the top with new orders totalling 4.29m GT against 1.55m GT for South Korea in 1994. *Reuter, Tokyo*

Japan clears satellite TV plans

Star Television and Turner Entertainment Networks Asia, the Hong Kong based satellite TV companies, yesterday won permission to broadcast in Japan. The broadcasters can distribute their programming via Japanese cable TV companies, according to the Posts and Telecommunications Ministry.

Star TV plans to launch four channels in Japan, while Turner Entertainment is expected to start 24-hour broadcasting with animation programmes and movies, the ministry said. Analysts said the Hong Kong-based broadcasters could attract a large number of Japanese subscribers in view of their strong cost competitiveness. However, they will be constrained by limited access to cable. Currently only about 1m Japanese homes are wired for cable TV. *Reuter, Tokyo*

Ericsson arm wins phone deal

Ericsson Telecomunicazioni, the Italian subsidiary of the Swedish telecoms group, has signed a three-year L350bn (\$205m) agreement with Telecom Italia, Italy's state-controlled telephone company, to expand its digital mobile phone network. Ericsson, which has been active in the Italian telecoms sector since the 1920s, is to supply switching and transmission equipment, central exchanges and radio stations for the network, which uses the GSM standard compatible with other European countries.

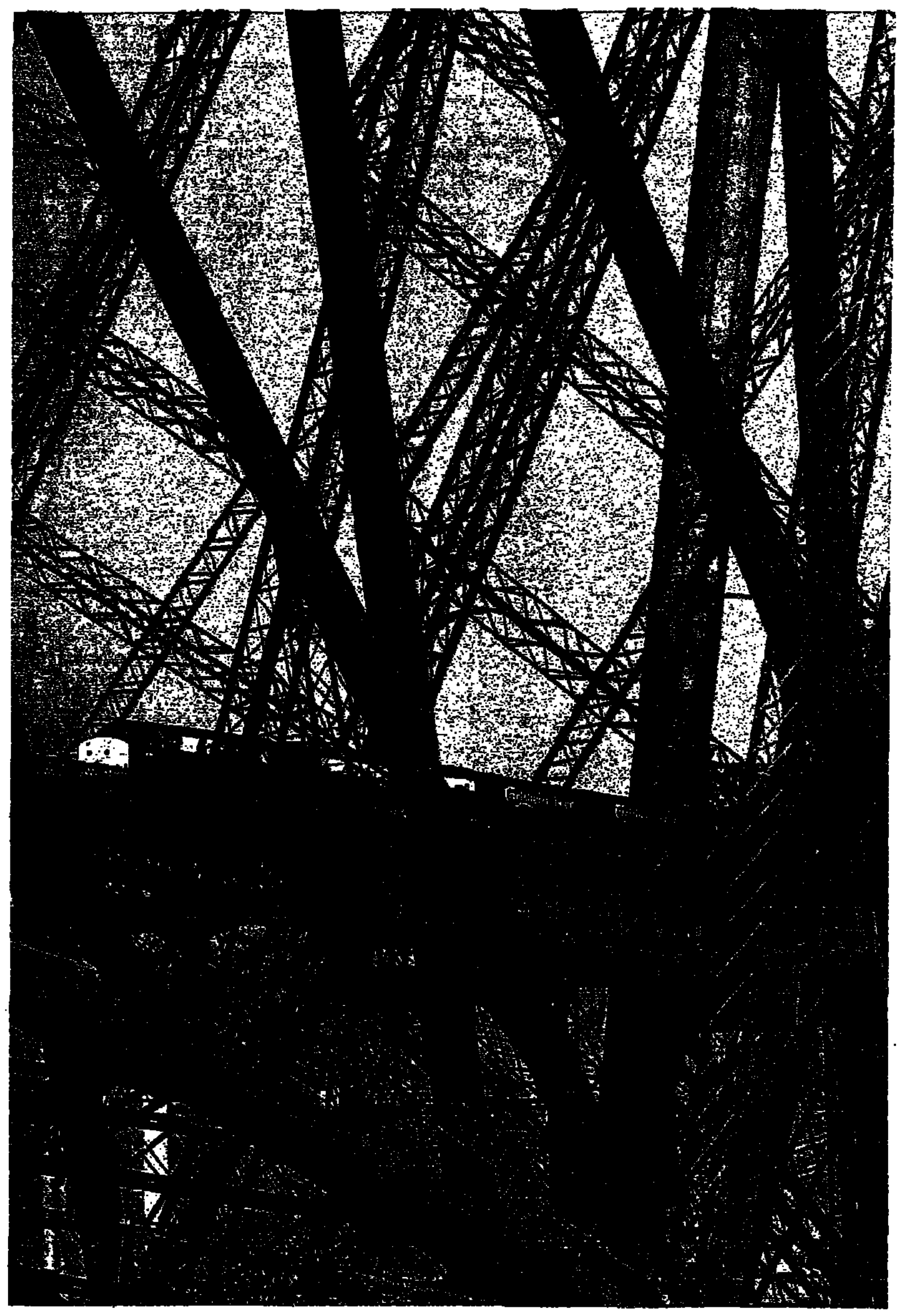
Telecom Italia, which is part of Stet, the state-controlled telecoms holding company, used Ericsson technology for the construction of its analogue phone network. The Swedish group will now also supply further equipment for the analogue network. Ericsson Telecomunicazioni will receive L140bn this year for the GSM work, L110bn in 1996, and the balance in 1997. *Andrew Hill, Milan*

■ Egyptian Oil Minister Hamdi el-Banbi yesterday launched a \$106m project to develop natural gas found off the Mediterranean coast. *Reuter, Cairo*

■ GEC Alsthom, Anglo-French engineering company, said its European Gas Turbines unit has won contracts worth Ecu46m (\$61.1m) to deliver gas turbines to India and Pakistan. *Reuter, London*

■ Kvaerner, the diversified Norwegian group, yesterday announced that its Kvaerner Pulping unit had won contracts valued at \$30m to supply pulp mill process systems to the Voltorantim group of Brazil. *Karen Fossli, Oslo*

■ Grimaldi, the Italian shipowner, has ordered five ships from Fincantieri, Italy's state-controlled shipbuilder, for a total of about L600bn (\$350m). *Andrew Hill, Milan*



NEWS: THE AMERICAS

Kantor hails decline in US trade deficit

By Nancy Dunne in Washington

The US trade deficit fell almost $3bn in February to $9bn as foreign sales of both goods and services rose and imports fell.

Exports rose 2.4 per cent to $62.42bn while imports – made more expensive by the weak dollar – fell 2 per cent to $71.43bn. Much of the improvement came from the volatile aircraft sector. Sales of civilian aircraft rose by $667m during the month to almost $2bn.

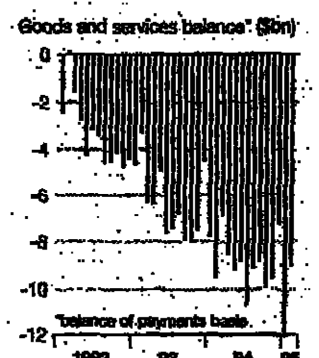
Mr Mickey Kantor, the US trade representative, hailed the increase in exports and a narrowing of the deficit with Japan for the fourth consecutive month. The bilateral deficit fell to $4.7bn from almost $4.9bn the previous month and exports surged to a record $5.03bn.

Mr Kantor attributed the improvement with Japan to the weaker dollar and the 14 US-Japan trade agreements reached in the past two years.

Mr Ron Brown, US Commerce Secretary, said the US trade position with Western Europe improved by $1bn, demonstrating "the compelling role of differential growth rates in the US and its trading partners in the US trade picture."

US trade balance

Goods and services balance* ($bn)



Source: Datastream

Taking a shot at Japan, he said "faster growth abroad must be accompanied by explicit steps to open foreign markets when they are closed."

The trade deficit with Mexico increased to a record $1.3bn, reflecting the peso crisis. The US reported its first trade surplus with Asia's newly industrialised nations in 14 years.

Merrill Lynch yesterday predicted rising exports boosted by the weaker dollar. "Imports are likely to be more sluggish this year, held back by the slowdown in domestic demand," it said.

Mr Kantor said continued US trade deficits did not necessarily reflect US economic strength. Imports could be component parts which helped US competitiveness. "Exports which create high wage jobs are what you want to look at." Pointing to a 21.8 per cent rise in US exports to Japan from a year ago, Mr Kantor said "you should feel very good about that."

On current automotive talks with Japan Mr Kantor said no decision had been made whether to impose sanctions. But if Japan took the US to the World Trade Organisation over sanctions, "we would be delighted to review Japanese practices," he said.

Fillip for Argentina on trade

By David Pilling in Buenos Aires

Argentina's trade moved into balance in March for the first time in more than three years, with exports and imports of about $1.7bn, according to economy ministry estimates.

The figures will ease concern over the country's trade deficit, which had increased steadily over the past four years, reaching $5.8bn in 1994, and provoking unfavourable comparisons with Mexico.

They may also help to silence critics of Argentina's exchange rate policy who have argued that the overvalued peso, set at parity with the dollar, would produce ever-bigger trade deficits by subsidising imports and rendering exports uncompetitive.

March exports were 50 per cent higher than the same month in 1994, while imports were about 7 per cent lower.

Exports have been boosted by high international commodity prices, a very good harvest, and a consumer boom in neighbouring Brazil where the new Real currency has appreciated significantly against Argentina's peso in the past months. The fall of the US dollar has also made Argentine exports cheaper.

● The central bank has tightened the screws on struggling banks by making access to rediscount operations more stringent. From now on banks wishing to borrow from the central bank or roll over existing short-term loans will have to put up 51 per cent of their equity as collateral.

The measure, aimed at concentrating the banking sector still further, will make life much harder for many credit-squeezed banks, several of which are not honouring deposits. This year, the number of banks has shrunk from 166 to below 140.

Clinton: conference seeking to reassure US citizens that he is still relevant

Comedy and dollars push Clinton aside

By George Graham in Washington

It is a sad day for a US President when he has to reassure his fellow citizens that he is still relevant.

But that was the fate that fell to President Bill Clinton on Tuesday night, at a news conference scheduled to hit television prime time which most of the major television networks refused to broadcast.

"The Constitution gives me relevance. The power of our ideas gives me relevance. The record we have built up over the last two years and the things we are trying to do to implement it give me relevance," Mr Clinton insisted.

Though television networks have traditionally broadcast such events live, ABC decided last night that "Home Improvement," its popular comedy, would bring in more viewers and more advertising dollars. NBC made the same decision for its comedy "Frasier."

Only CBS among the major private sector networks decided to show Mr Clinton's news conference live, although the CNN and C-Span organisations also broadcast the event for the roughly two thirds of the US population who have cable television.

Mr Clinton's Republican opponents leapt on his remarks with glee.

Congressman Dick Armey, deputy to Speaker Newt Gingrich in the House of Representatives, said the president had decided to "stand on the sidelines and criticise."

"Since he vacated the field, we obviously had to move forward with our work," Mr Armey said.

In the five months since Republicans won a sweeping victory in congressional elections, Mr Clinton has been largely eclipsed by the voluble Speaker Gingrich.

But the breathless "100 days" in which Mr Gingrich pressed for House votes on the 10 bills in his party's "Contract with America" have now ended. Mr Clinton's role will expand as the Senate tries to transform the House's bills into law, because of his veto power.

In his news conference Mr Clinton challenged the Congress to pass a welfare reform bill by July 4, but harshly attacked the version passed by the House of Representatives last month.

"The fundamental goal of welfare reform is to move people into the workforce. The bill that passed the House is too weak on work and too tough on children," Mr Clinton said.

Senator Richard Lugar of Indiana yesterday formally declared his candidacy for the White House, adding a moderate with strong foreign policy credentials to the field of candidates seeking the Republican nomination. Mr Lugar said yesterday the US needed "a president who understands and knows how to deal with the world around us... who can and will act decisively to use American power and influence." He is ranked as an outsider against better-known contenders such as Senator Robert Dole, Republican majority leader.

Export surge to 'continue'

By Nancy Dunne in Washington

A Commerce Department report released yesterday predicts surging exports of US goods and services this year but continued high trade deficits despite healthy growth in the services surplus.

The US Global Trade Outlook, 1995-2000, predicts a 10-11 per cent rise in US exports as world markets expand by 3.6 per cent. But no major improvement is expected in the $109bn US trade deficit.

The report looks at the prospects for vital sectors whose fortunes are linked to the global economy. They include:

● Medical equipment, one of the most competitive US industries, which is expected to double last year's $9bn surplus by the year 2000.

● Motor vehicles. US exports have been growing by 11 per cent a year since 1989, but imports, particularly from Japan, have also been rising. Exports sales growth is most likely in the so-called "big emerging markets." Globalised production is likely to lead to increased US manufacturing in developing markets.

● Paper products. Recycling has made the US the world's largest exporter of recovered paper. Exports of all paper are expected to grow 5 per cent a year to 2000 with the best opportunities in China, East Asian countries and Brazil.

● Computer equipment. Imports have been growing more than twice as fast as exports; exports are expected to grow by 8 per cent this year.

● Computer software. The world market is expected to grow by 12 per cent annually between 1995 and the year 2000 with Asia and Latin America fastest-growing. International alliances indicate fresh products will be developed globally.

US Global Trade Outlook; Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954; Stock number S/N 003-009-00650-3; $8.

Lockerbie award raises rate fears

By Richard Tomkins in New York

US airlines yesterday expressed concern about the possibility of higher insurance premiums after a jury awarded $19m in damages to the widow of a passenger who died in the Pan American World Airways crash over Lockerbie in Scotland.

The award is among the highest in the history of civil aviation, and some US carriers fear it will feed through to an increase in insurance costs at a time when the airline industry is struggling to restore profitability after a long period of heavy losses.

Delta Air Lines, the third biggest US carrier, said: "We are always concerned about any awards that are extensive. The only thing an airline can do is operate its business as best it can in the hope that it does not face this kind of situation in its own experience."

The award was made this week by a federal jury in Long Island, New York, to the widow of Michael Pescatore, a 33-year-old vice president of British Petroleum Chemicals of America, who died when Pan Am flight 103 exploded in the air and crashed into the village of Lockerbie in 1988.

A total of 270 people died, 11 of them Lockerbie residents on the ground. The explosion was caused by a terrorist bomb in an unaccompanied suitcase which the US and UK authorities believe was planted by two Libyan agents.

Under an international treaty, airlines are limited to $75,000 in damages per passenger in the event of a crash unless a court determines that wilful misconduct was a factor. In the Lockerbie case, wilful misconduct was established because Pan Am's security procedures allowed the aircraft to take off with an unaccompanied bag on board.

Pan Am has since gone out of business, but Mr Lee Kreindler of the Manhattan law firm Kreindler & Kreindler said yesterday that the company's insurers had $750m available to settle claims.

Some claims have already been settled out of court, but the Pescatore case was one of the first to go to a jury trial. The damages were high because Mr Pescatore was a young professional with many years of substantial earnings ahead of him.

Mr Keindler, who represents the families of 96 people who died in the bombing, predicted that other claims yet to be settled could be higher still because the victims had higher earnings.

مكرر من الاصل

هكذا من الاصل

Transatlantic aircraft designers look at Sea Harrier and Tornado successors

US signs deal to replace aircraft

By Bernard Gray, Defence Correspondent

Britain has signed an agreement with the US to start development of a group of aircraft which could replace the Sea Harrier on aircraft carriers and the Tornado ground attack aircraft.

So far the UK is the only foreign government to have been admitted to the programme, which involves highly sensitive US technologies.

The UK has to look to the US as no other European country is working on Harrier-style vertical take-off and landing aircraft. However, if the UK decides to accept a US-designed Tornado replacement once development studies are completed, it could threaten UK involvement in future European programmes.

Mr Malcolm McIntosh, head of the UK procurement executive, signed the preliminary letter of intent with his US counterpart Mr Paul Kaminski in Washington on April 6. A full ministerial Memorandum of Understanding is expected later in the year.

Two types of aircraft could result from the programme, the Joint Advanced Strike Technology. The first JAST aircraft would be a supersonic carrier-based fighter, with short take-off and could land vertically like the Sea Harrier. The UK's Royal Navy and US Marines would need such an aircraft to replace Harrier fleets early next century. The second would be a low-cost replacement for the US Navy F/A 18 fighter, the US Air Force's F-16 fighter and could replace the RAF's Tornado GR4 attack aircraft after 2010.

However, British Aerospace is also involved in studies with the French company Dassault for a potential rival design to replace the Tornado. It is looking at a stealth aircraft code-named the Future Offensive Aircraft. The FOA would be important to maintain a European capability to manufacture complete fast jets, as it would be the only programme running after work on the Eurofighter 2000 and the French Rafale had been completed. France and Germany could in future be admitted to the JAST programme but then the FOA programme would be less likely to go ahead.

BAe has been working with McDonnell Douglas on a Harrier replacement to produce a version for the JAST competition, possibly in collaboration with Northrop Grumman. Other contenders include Lockheed Martin, which may offer a version of its advanced F-22 fighter, and Boeing.

BAe has a $28m contract for work on the project and has 20 engineers working at McDonnell Douglas's St Louis headquarters. A memorandum on vertical take-off jets signed last August designated $250m for development studies.

Rolls-Royce, the British aero-engine manufacturer no longer connected to the Rolls-Royce car company, is the only company with extensive knowledge of vertical take-off engines and is working with several teams to provide the engines.

Output at engines plant likely to rise by a third

By John Griffiths

A new range of diesel engines to go into production in three years' time is expected to increase output at Ford's Dagenham engines plant in east London by more than a third. Engines which the company says will be the world's most advanced diesel units are expected to lift the factory's total output from 530,000 engines a year to more than 700,000.

This will allow Ford to meet its entire worldwide needs for car and light commercial vehicle diesel engines from Dagenham until at least the end of the century. Mr John Huston, vice-president of Ford's power train operations worldwide, said yesterday at celebrations marking production of the 28 millionth engine at Dagenham.

Ford is investing almost £400m ($640m) in the new engine family, code-named Puma, produced initially in 2 litre and 2.4 litre sizes and at a rate of 300,000 a year.

The project will create no additional employment at Dagenham but will guarantee existing jobs for the foreseeable future, Mr Huston told a cheering workforce. In a buoyant atmosphere far removed from the strife which made Dagenham a byword for poor industrial relations less than a decade ago, Mr Harry Harrison, plant convener for the Transport and General Workers' Union, praised the partnership between management and workforce which had helped secure the project for the UK.

Ford executives said yesterday a variety of other possible locations for the venture had been considered, including a greenfield site in Hungary. But Dagenham's combination of costs, productivity and quality had been decisive.

Company says productivity gap with Germany has been eliminated

Ford maintains that there is now no longer any discernible gap in productivity between Dagenham and its Cologne engine plants in Germany – although direct comparison is difficult because Cologne produces only petrol engines, which are simpler to produce and assemble.

When production starts the Puma engines will replace the Dagenham-produced 2.5 litre diesel currently installed only in Ford's Transit van, Europe's single best-selling light commercial vehicle. Some 140,000 of these engines were produced last year. The 2 litre Puma is also expected to replace the Dagenham-produced 1.8 litre turbodiesel currently used in the Mondeo range.

The Puma engines will be fitted in Ford's new large cars, including the Scorpio replacement being developed for sale worldwide under the "Ford 2000" globalisation programme.

The existing 1.8 litre engine – of which 360,000 were built last year – is expected to at least maintain current production. volumes. This is partly because it will continue to be installed in the replacement for the current Fiesta small car, in a new small "supermini" to be built in Spain, and in the "world car" which will replace the medium-sized Escort in 1998.

Diesel car sales are rising sharply in much of Europe. Total output of Ford's 1.8 litre engines this year is expected to exceed 400,000.

The Puma project should provide a further substantial boost for the UK components sector. Most of Dagenham's engine components are sourced in the UK, with the notable exception of engine blocks, currently cast by Eisenwerk-Bruhl in Germany. Ford said Bruhl was considering switching casting of these units to its UK operations at a potential saving, according to Ford, of up to $20 per block.

While no significant market for diesel cars exists in North America, where petrol costs little more than $1 per gallon, diesel cars could also be expected to share in the car sales boom which Ford's chairman, Mr Alex Trotman, has predicted for the Asia-Pacific region and Latin America.

Industry minister Tim Eggar meets workers at Ford's east London factory, once notorious for industrial unrest

Port is braced for more calf protests

By Stewart Dalby

The port of Dover in south-east England is braced for the arrival of possibly hundreds of protesters this morning when the export of live animals resumes following a High Court judgment on April 12.

About 10 trucks carrying livestock are expected be loaded at noon on to the ferry Canaille which is bound for Dunkirk. A second shipment is due to leave tomorrow.

Meanwhile Mr William Waldegrave, agriculture minister, said yesterday that Britain was on the verge of winning a Europe-wide ban on the export of calves for rearing in veal crates.

He said the government was "on the way" to winning the argument over crates and would fight for tougher rules governing the movement of live animals in general at a European Union agriculture ministers meeting next month.

The Dover Harbour Board said last night it did not know whether the animals to be transported today were sheep or veal calves.

The two main ferry operators at Dover, Stena-Sealink and P&O Ferries, stopped transporting live animals at the end of October because it was feared protests could jeopardise the main business of the port at a time when it was facing competition from the Channel tunnel.

Ms Valerie Crimmin, for the harbour board, said: "Following the High Court judgment declaring the trade legal, we have to take the animals."

Dover, by far the largest passenger ferry port in the country, last year carried 19.1m passengers, 3.2m cars and 1.2m freight vehicles. Live animals used to constitute 1 per cent of total business.

Kent police declined to say how many officers would be at the docks for today's expected protests.

The protest group Compassion in World Farming has said it is planning a show of strength outside Dover Eastern Dock today.

Pearson to close 7-year-old London printing complex

By Raymond Snoddy

Pearson, the media group that owns the Financial Times, announced yesterday that it intends to close the newspaper's London printing plant completed in 1988 at a cost of £44m ($70.4m).

The company has signed a 13-year printing contract with West Ferry Printers, a joint venture between the Telegraph and Express newspaper groups.

The printing closure comes as the FT expands its contract printing operations around the world. The paper recently added Sweden to its print capacity in France, Germany, Japan and the US. From next month the FT will print by satellite in Los Angeles.

As a result of the closure in London, Pearson will face a charge over the next year of about £33m - about £5m in redundancy costs and a write-down in the value of fixed assets of some £28m. Many of the remaining FT printers will lose their jobs and it will be the first time in the paper's 107-year history that it has not had its own UK printing plant.

Mr John Makinson, managing director of the FT, said yesterday that he foresaw further consolidation in the newspaper printing industry as technological change continued to weaken the links that have bound publishers and printers. "We have been forced to conclude, after much soul searching, that continued ownership of a dedicated London printing plant would hold back the FT's development," Mr Makinson said.

The FT plant has long suffered from over-capacity. The award-winning East India Dock plant, designed by the architect Mr Nick Grimshaw, has two Rockwell Goss Headliner web-offset presses which can turn out 500,000 copies of a 72-page paper each night.

The current daily London print run of the FT is between 220,000 and 280,000 copies a night.

The economics of the East India Dock plant have not been helped by the purchase of The Observer by the Guardian Media Group. The FT plant printed The Observer under contract.

But the single most important factor leading to closure was the decision that a northern printing plant was vital to enhance the UK circulation of the FT.

From June, copies of the paper for Scotland, the whole of Ireland and the north of England will be printed by Yorkshire Post Newspapers in Leeds, which is part of the United Newspaper Group, as is the Express.

The new printing contract means that for the first time all copies of the FT will carry Wall Street closing prices. But the London print run will lose 60,000 to 80,000 copies a night to Leeds, further undermining the economics of the plant.

One of the FT's presses will be dismantled and sold to West Ferry Printers for £9m – £6m in cash and £3m in redeemable preference shares.

The printing staff of the FT plant and West Ferry will be interviewed for about 300 jobs in the combined printing operation, with 150 redundancies expected. In its Bracken House premises before the move to East India Dock the FT had 650 printers.

Mr Paul Sztumpf, spokesman for the unions at East India Dock, said last night: "We are very concerned about the strategy that we are now competing against West Ferry for the same jobs. Some of our staff have already been made redundant from West Ferry."

Mr Rupert Middleton, managing director of West Ferry Printers, said last night: "This is more than just a printing contract. The FT is becoming a partner."

The FT's second printing press and the building, near the entrance to the Blackwall Tunnel, will be sold.

In March, the FT had a circulation of 305,928 – the highest figure for a decade.

NEWS: UK

Launch will pit US company against issuers of credit cards for new customers

American Express opens onslaught

By Richard Wolffe

Competition for credit card customers intensified yesterday as American Express launched a full assault on the UK market and Barclaycard *issued its first new products in* five years.

The American Express credit card is thought to be the US company's first attempt to compete directly against UK credit card issuers for new customers. The card, which car*ries the familiar American* Express design, undercuts Barclaycard's interest rates by more than six percentage points by charging an annual rate of 16.7 per cent.

Mr John Crewe, president of European consumer services with American Express, said: "There are many people out there who want an American Express card but do not feel the charge card is for them and want to borrow money on plastic. We have not had a product that was able to capture that market.

"Now the plastic market is healthy and growing again and *most importantly, our research* is saying customers in the UK are not happy paying around 22 per cent interest rates for borrowing money on plastic."

The American Express credit card, to be promoted by TV and press advertisements, is directed at businessmen and wealthy customers. It follows the relaunch of the company's credit card products in the US, where the company has lost market share since the 1980s.

American *Express's main* plastic product is a charge card which requires customers to settle their account every month.

Yesterday's new card launches reflect the recent surge in UK consumer credit, which was growing at a *rate* equivalent to 15.5 per cent at the start of this year. Barclaycard, the UK's largest card issuer, has launched its new cards at niche markets including users who have come to distrust credit cards after overborrowing in the 1980s.

Barclaycard Sense, to be promoted by the direct mail of 1m *promotional* videos, has strict credit limits of between £300 and £500 compared to the Barclaycard average of £1,500. The card requires holders to make a high minimum repayment each month.

The new product comes after *market research* of 15,500 people identified that around 25 per cent of consumers were "very wary" of credit cards.

Mr Shaun Powell, commercial director, said: "These people are particularly nervous because they do not believe they would be able to control their impulse with a credit card. Others have some misun*derstanding about who quali*fies for a credit card and think you have to have an extremely big salary of at least £20,000."

Barclaycard's second new product is a Gold card offered to existing high-spending card holders, who require credit *limits of up to £2,500.*

Coffee supplier warns of further big price rises

By Roderick Oram, Consumer Industries Editor

Coffee prices in the shops are likely to rise further over the next year because of weather-related crop shortages in South America, Britain's largest supplier of ground coffee warned yesterday.

But prices could start to fall sharply three years from now as more acreage comes into production, *said Mr Bertel Pau*lig, chief executive of Paulig Group. The Finnish company became the largest UK ground coffee producer last year after buying the Lyons ground coffee business from Allied Domecq for an undisclosed sum.

Coffee bean prices, currently around $1.70 a pound, are *likely to rise* "well above $2" in the crop year running to September 1996, Mr Paulig said. The recent peak was $2.20 last autumn.

Mr Richard Hancock, managing director of Paulig UK, said the impact on retail prices was *hard to forecast because of* negotiations between suppliers and retailers. The price of a half-pound (250gm) packet of Lyons ground coffee has already risen from £1.39 to £2.19 in the year since Paulig bought the business.

Nestlé, the UK market leader in instant coffee, said it was too early to predict possible fluctuations in retail prices. These would depend on factors such as weather during the growing season, political uncertainty in some growing *countries and fluctuating* exchange rates.

To cope with the surge in raw coffee bean prices during 1994, the typical price of a 100g jar of Nestlé's Nescafé rose about 40 per cent to £1.92.

Coffee beans accounts for about 70 per cent of the raw material costs of ground coffee, but only about 35 per cent of instant coffee, Mr Paulig said.

Mr Hancock said rising coffee prices had brought to a halt growth in UK consumption of ground coffee. Moreover, branded coffees lost share to own-label brands which now account for about half the market. He hoped, however, that once prices moderated, growth would return to the trend of *about 5 per cent* a year.

UK consumption is the lowest in the European Union at about 2kg per person per year. Finland has the highest consumption at 11kg.

Top-selling game took 22 man-years to develop

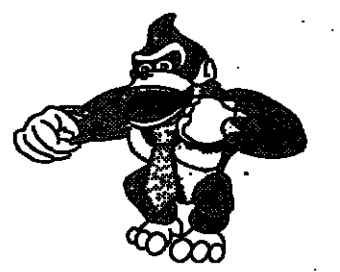
By Paul Taylor and Vanessa Houlder

Nintendo, the Japanese pioneer of the world's $14bn video games industry, has paid the ultimate compliment to a tiny British software company based in central England.

It has bought, for an undisclosed sum, 25 per cent of Rare, the precocious private house of Mr Christopher Stamper and his brothers, Stephen and Tim*othy. Nintendo's move* underscores the way the brothers have built Rare into one of the most technically advanced, creative and successful video games developers in the world.

Rare's status as a hot property in the turbulent video games industry has been hammered home by the undisputed success of Donkey Kong Country, one of the fastest-selling computer games ever. Rare developed the game for Nin*tendo using the latest elec*tronic wizardry and it has sold a staggering 7.4m copies, netting about £300m since its launch five weeks before Christmas and earning Rare $15m to $20m in royalties.

The company says it devoted *22 man-years to developing* the game which uses 3D graphics and CD-quality sound.



Donkey Kong: one of the fastest-selling games ever

Based on a 1980s character designed by Nintendo's legendary games creator Shigeru Miyamoto, Donkey Kong Country is one of nearly 100 games *that Rare has designed* over the past 10 years.

The company, which employs 80 artists, programmers and designers and musicians, started 12 years ago, and set out to develop games software for the Sinclair Spectrum. In spite of an early success problems with software piracy persuaded them to switch their efforts to producing software for the cartridge-based systems that were being introduced by Nintendo in Japan.

But Nintendo, which keeps strict controls over its software, refused to release the specifications that would allow *them to develop games.*

Undeterred, Chris Stamper locked himself away for six months to 'reverse engineer' the Nintendo Entertainment System console with the goal of producing a demonstration game. The ploy worked and Nintendo was so impressed *that Rare became the first* western company licensed to produce software for Nintendo consoles.

Since then Rare has scored a number of other firsts with the Japanese group. Last year Nintendo announced that the first game called Killer Instinct for *its next generation* 64-bit machine called the Ultra 64 would be developed by Rare.

The bulk of Nintendo's "multi-million dollar" capital *investment in Rare is expected* to fund the substantial growth planned by the company.

Rare, which will also become a third party video games publisher under its agreement with Nintendo, intends to recruit people with education and *experience in fields such* as artificial intelligence and 3-D visualisation.

Rare is working on a number of Nintendo titles, including a sequel to Donkey Kong Country for the now ageing NES system, and new titles for the Nintendo Ultra 64, Game Boy and Nintendo's new Virtual Boy, a sophisticated 3-D game *system which will be launched* this summer. Rare is also developing a James Bond home video game, based on the film "Goldeneye" being filmed outside London.

UK NEWS DIGEST

Minister rejects guns for police

Mr Michael Howard, home secretary, yesterday rejected calls to issue guns to the police following the death of an unarmed *junior officer who was shot in east London.* The 28-year-old officer and a colleague were trying to prevent three suspected burglars from leaving a house. "I don't think most police officers in this country want to be armed and I don't think most people in this country want them to be armed," Mr Howard said before giving a lecture on crime and pun*ishment at a police college. He said he was* determined to do everything he could to make sure police were protected as effectively as possible, but added: "I don't think this makes the case for arming the police as matter of routine."

Mr Tony Blair, leader of the opposition Labour party, condemned the killing, but said: "Like most people I feel instinctively that we would like to keep our police force as it is and routine arming would significantly change the nature of the police." About 90 per cent of British police officers are armed only with truncheons and many receive no gun training. Two men were arrested near the scene of the shooting and a third escaped.
PA News

Organiser threatens to sue over shirts for losers

THE NATIONAL LOTTERY

A graphic designer has been forced to burn 500 joke T-shirts after a warning from Camelot, the consortium which organises the National Lottery. Camelot told Mr Steve Lawrence it *would sue him unless he* destroyed the "losers" shirts he was trying to sell at £8.50 ($13.60) each. His design uncrossed the fingers of the official lottery logo (pictured), leaving the middle finger pointing in the air. Underneath he printed the phrase: "I've won bugger all." *PA News*

Freight shifted by big trucks reaches record

Freight moved by heavy goods vehicles – of more than 3.5 tonnes gross weight – increased by 7 per cent from 129bn tonne kilometres in 1993 to a record 138bn last year. The previous peak of 132bn tonne kilometres was achieved at the height of the economic boom in 1989, *according to the Department of Transport. In* spite of efforts to promote rail freight and the boost provided by the Channel tunnel when it opened for rail freight in June 1993, road transport remains relatively convenient and cheap and has outstripped economic *expansion.* Gross domestic product rose 3.9 per cent last year and *manufacturing* output rose 4.1 per cent. The total increase in road shipments between 1979 and last year was 39 per cent, a rise which reflected changes in *manufacturing* processes – including a shift to just-in-time deliveries.
Charles Batchelor, Transport Correspondent

More men take jobs formerly done by women

More men are taking traditionally female jobs in secretarial, office *administration* and clerical fields as changes in business practice increase their status and pay. Office Angels, a national recruitment agency, said one in every six of its administration and secretarial openings was filled by a *man* this year compared with one in 11 five years ago.
Andrew Bolger, Employment Correspondent

Executive wins damages in discrimination case

Employers were warned yesterday that they could face substantial damages in racial discrimination cases as it was announced that a senior car sales executive had won £34,000 from a BMW dealership. An industrial tribunal found that Mr Eustace Adams, 39, was sacked because of his race, even though he had the best *performance* record at the dealership, Holland Park Ltd, in London. Mr Adams, the only black member of the sales team, was backed by the Commission for Racial Equality at last year's tribunal.

Mr Herman Ouseley, chairman of the commission, said: "We hope that other employers will take note of the sum Mr Adams has secured. *Changes* in the law in 1994 now mean that the maximum limits on damages have been removed and damages awarded in future will fully reflect *the consequences of the* discrimination." *Andrew Bolger*

Drugs plan thwarted: Police in southern England said an attempt to manufacture up to £200m ($320m) of heroin for the European market had been thwarted in an international operation. Drums of a chemical essential to *process* the drug were tracked across Britain and on to Pakistan by the South-East Regional Crime Squad. Two men have been arrested in north-west *London* and *two others in Islama*bad and Lahore.

Protest at "red mist": A Conservative MP urged the government to act against what she described as "the unwelcome import from the US" of "road rage" or "red mist" in which car drivers furious at other motorists attack them. *Ms Cheryl Gillan said:* "A driver in Newcastle had his nose bitten off in a row with another motorist. A young woman was forced off a motorway by a male driver who left her upside down in her car."

صكرا من الاصل

MINISTRY OF INDUSTRY, RESEARCH & TECHNOLOGY

ANNOUNCEMENT

CONCERNING THE SALE BY PUBLIC AUCTION OF A MAJORITY BLOCK, UP TO 100%, OF SHARES OF HELLENIC SHIPYARDS S.A. (SKARAMANGA).

A. The Economic Environment

According to the latest OECD report, Greece, during the past eighteen months, has regained its credibility in the world economy.

As a direct result of recently introduced macro-economic policies, Greece is experiencing a rapid decline in inflation: a tangible decrease in public deficits: a substantial increase in foreign currency reserves, and a continuous growth in both public and private investment.

These policies are providing the state with the necessary prerequisites for sustaining, developing and further strengthening the country's competitiveness in world markets.

B. Details on Hellenic Shipyards S.A.

Referring to the public auction for the highest bidder, the announcement concerning which was published on 18 January 1995 in the Greek press, and on 20 January 1995 in the Financial Times and Lloyd's List, the Hellenic Industrial Development Bank S.A. (ETBA) has the following announcements to make:

1. Decision No. 2392/1995 has been handed down by the Athens Court of Appeal concerning the settlement of the company's debts. It should be noted that according to this decision, the company's debts have been reduced by up to 98%.

2. A draft law was voted on, in a plenary session of the Greek parliament, "for the transfer of a portfolio of shares of Hellenic Shipyards and other dispositions" and has already become law. The main issues resolved by this are:

a) The legitimisation of buildings and installations owned by the company and not licenced by the Town Planning Department. The company has also been granted the right of free and exclusive use of the coast and the strip of land between the old and the new coastline created by landfills.

b) The settlement of all pending matters referring to the frigate-building programme for the Hellenic Navy.

c) The assumption by ETBA and the state of the responsibility for payment of compensation to any shipyard personnel that might be unable to continue their employment with the company immediately after the transfer of shares.

d) Exemption from all taxation that might occur following the signature of the share transfer agreement and the exemption of any relevant transactions that might ensue from taxes of any kind, duties, legal claims, etc. by the state or by a third party.

3. Extension of the time limit for the submission of offers to 1400 hours on Wednesday, 3 May 1995. It should be noted that there will be no further extension of this time limit.

4. Hellenic Shipyards at Skaramanga are the largest in Greece and the largest shipbuilding and shiprepair yard in the Eastern Mediterranean, occupying an area of 832,000 square metres and with building installations covering 83,000 square metres.

The installations include:

- 2 drydocks of 500,000 dwt. and 250,000 dwt. capacity
- 3 floating docks with capacities of 72,000, 60,000 and 37,000 dwt.
- Hoisting machinery and tugboats
- A building berth (200m x 28m) for the construction of vessels up to 40,000 dwt.

Hellenic Shipyards also offer a full range of repair services for all types of vessels.

Programmes currently under way

a) The construction of three MEKO-200 class frigates
b) A weapons programme for patrol vessels built for the Hellenic Navy, and
c) The execution of contracts for the manufacture of rolling stock for the Hellenic Railways Organisation and the Athens-Piraeus Electric Railways.

A NATIONAL STRATEGY FOR GROWTH AND DEVELOPMENT

TECHNOLOGY

Disc makers' skills in recording ever more bits per square inch may soon be exhausted, says **Geoff Nairn**

Drive to replace magnetic storage

The magnetic disc drive is still the dominant data storage technology almost 40 years after its birth, thanks to disc makers' skills in cramming ever more data on to smaller and cheaper hard discs.

But their techniques will soon no longer suffice and the search is on for new technologies to take the storage industry into the next century.

In 1956, IBM unveiled the first commercial disc storage system, called Ramac. The size of a large cupboard, it contained 50 24-inch discs, could store 5 megabytes – about 5m characters of text – and cost almost $50,000.

In June, IBM will launch a 2.5-inch disc drive with a capacity of 1,200MB, almost 250 times greater than Ramac. It is just 17mm high, costs $790 (£490) and can fit inside a notebook computer.

Such progress is taken for granted by computer users accustomed to the breakneck pace in development of microprocessor and memory chips. But disc drives are electromechanical devices and makers face formidable manufacturing challenges each time they try to develop the technology.

The critical element in a hard disc is the read/write head. This tiny electromagnet, fed with a stream of data from the computer, records changes, or "writes", on the magnetic tracks of the disc rotating below.

These changes represent the stored bits of data and can be "read" back off the disc using the same head. This data is recorded permanently, unlike semiconductor memory which loses its data when the power is off.

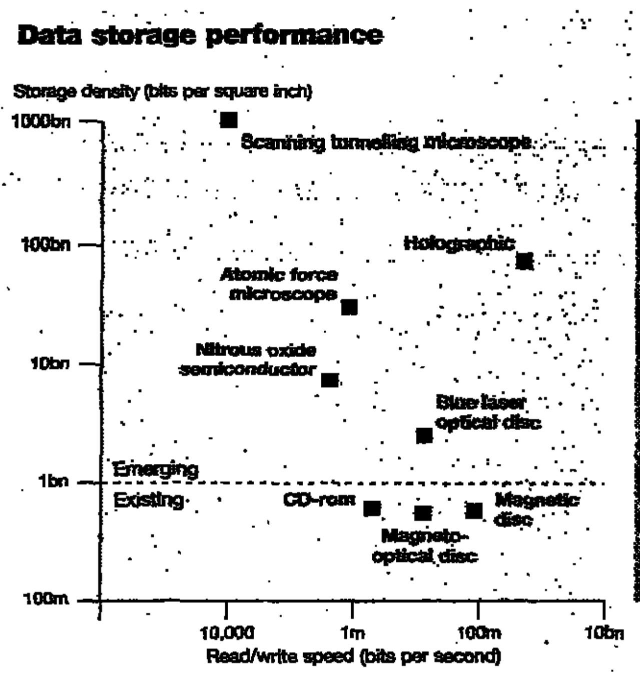
Memory chips, though faster at writing and reading data, are more expensive than magnetic storage. Computers will thus continue to need hard discs until a cheaper, higher capacity alternative is found.

As their power increases, computers need to store more information. One method of increasing disc capacity is to reduce the head size, which then records the data in smaller bits and allows more to be crammed on to the disc. But if they get too small, the bits cannot be read reliably using the established "inductive" head technology.

IBM developed a new head based on a physical phenomenon called magnetoresistance (MR). Discovered last century by British scientist Lord Kelvin, the MR effect allows smaller bits to be read reliably. IBM introduced the head in 1991 and now uses it on all drives.

"Scaling [down] the inductive head, we would have eventually run out of steam," says John Best, director of storage systems at IBM's Almaden Research Centre in San Jose, California, which also developed Ramac.

Data storage performance




A thin-film spin-valve structure is placed between the poles of a strong electromagnet to test its magnetic properties at IBM's Almaden research centre

The key to the MR head is a tiny sensor made of ferromagnetic materials 3,000 times thinner than a human hair.

"IBM are the only people in the world able to get an MR head into [volume] production. It's not easy to get reasonable yields," says Phil Devin, chief storage analyst for US research firm Dataquest. IBM introduced the MR head in 1991 and now uses it on all drives.

Analysts say the MR head has given IBM a lead which, coupled with a more commercial focus, could turn around the company's past poor showing in the disc drive market.

"Traditionally IBM only sold storage products to go in IBM systems, but in the past few years it has put together a strong OEM [third party] business," says Devin, who estimates that 55 per cent of IBM disc drive sales are now to third parties, such as Apple Computer and Compaq Computer.

However, "it is difficult to know if the business is profitable," Devin says.

In 1994 the worldwide disc drive market was worth $16.9bn and IBM's share increased from 8 per cent to 12 per cent, according to US analyst firm International Data Corporation.

The figure includes IBM's captive business – supplying disc drives for its own computers. IBM is still behind rival US disc makers Quantum, Seagate, Conner and Western Digital, which do not have a captive market or use MR technology significantly.

"MR heads from other suppliers are just becoming commercial and so IBM has had a four-year lead on its product stream. But I don't see that MR has given them any great market advantage," says Richard Balanson, chief technical officer at Maxtor, a San Jose-based disc maker.

Balanson says Maxtor will not adopt MR technology for at least the next two years. "The advantage of the [older] ferrite head is it's so cheap," says Devin.

An improved version of this technology, in which a tiny carbon crystal is inserted in the gap of the ferrite head, allows competitors to match the capacities of IBM's MR-based disc drives at lower cost.

Hitachi, Fujitsu and Quantum have started to use MR heads in the past year, but not all are convinced of MR's advantages.

IBM's current MR heads can store 644m bits per square inch of disc surface. This "area" density is growing at more than 50 per cent a year, against 30 per cent in the 1980s. No less dramatic, the price per megabyte is dropping 10 per cent each quarter. According to Dataquest, computer makers pay just 25-30 cents per megabyte for a 3.5-inch drive. In 1988, a 14-inch drive of equivalent capacity cost $14 per megabyte.

"IBM's aggressive behaviour in the MR market has driven capacities up but they will soon run out of juice with MR," says Devin.

IBM said recently it had demonstrated 3bn bits per square inch with an MR head. To go beyond that figure it is developing a new head technology based on the giant magnetoresistance (GMR) effect.

Discovered in 1988 by French and German scientists (at Germany's National Research Centre in Jülich and the University of Paris), this phenomenon is more difficult to obtain but produces much stronger electrical signals than "traditional" MR when reading the bits off the disc, so allowing the bits to be smaller and packed closer together.

IBM demonstrated a prototype GMR head in 1994, but analysts believe volume production is still five years away.

Best claims a density of 10bn bits per square inch can easily be achieved – nearly 20 times denser than is possible today.

Rival US head maker Read-Rite, also working on GMR, has a long-term goal of 30bn bits per square inch.

The industry would like to go higher, but fundamental physics sets a minimum size for magnetic bits; this will be reached at about 100bn bits per square inch.

"GMR takes us to the end of the magnetic recording technology and eventually we are going to need something to replace it," says Best.

Optical storage, used in CD-Rom and magneto-optical drives, is one candidate. But despite a decade of development "file access times and capacities have not advanced in the optical arena as fast as expected", according to a report from US industry analysts Frost & Sullivan.

A more exotic contender to replace magnetic storage is a bacterium that lives in the brackish lagoons surrounding San Francisco Bay. Researchers believe that by hitting the photosensitive protein in the swamp bacterium, Halobacterium, with laser beams, they can create an extremely fast, matchbox-sized optical storage device able to store 480 gigabytes, or more than 1,000 times the typical hard disc capacity of today's PCs.

Digital Equipment is partly funding this work, while IBM champions holographic storage.

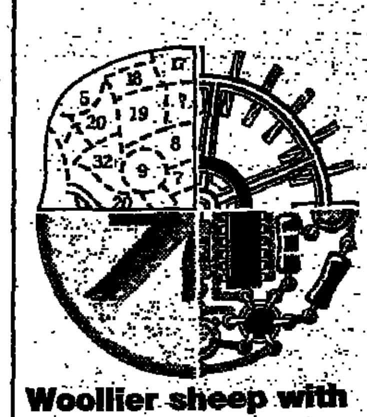
Another radical technology uses an atomic force microscope to store data by interfering with individual molecules. In the laboratory this technology has achieved densities of 25bn bits per square inch.

To push current technologies further and explore new ones, more than 70 US companies, research centres and universities are collaborating in the National Storage Industry Consortium.

Not to be left behind, the four leading Japanese disc makers set up their own Storage Research Consortium last month.

The first practical demonstrations of the more exotic technologies could appear before 2000, although "it's unlikely they will be able to compete [with magnetic discs] any time soon", says Balanson.

Worth Watching · Vanessa Houlder



Woollier sheep with sunflower gene

Australian scientists are trying to improve the efficiency of wool production by feeding sheep genetically modified clover.

The work is based on research carried out more than two decades ago, which found that sheep fed on a diet rich in sulphur-containing amino acids produce more wool.

Researchers at CSIRO, the Australian national research organisation, have planted a crop of clover that has been genetically modified by the addition of a gene that occurs naturally in sunflower seeds. The gene codes for a protein that is rich in sulphur-containing amino acids.

CSIRO Division of Plant Industry: Australia, tel 6246 5323.

Vacuum panel cuts fridge energy use

Attempts to improve the energy efficiency of refrigerators usually means bulkier insulation, which cuts down the space inside the appliance.

Owens-Corning, the Ohio-based glass and composite materials company, has overcome this by developing a vacuum panel which cuts energy consumption while increasing the interior's capacity. The Aura superinsulation vacuum panels consist of glass fibres encapsulated in stainless steel foil, which is hermetically sealed and evacuated.

The vacuum panels are already in use in the US and will be introduced in Europe this year, with energy efficiency gains for some models of up to 40 per cent.

Owens-Corning: US, tel 419 248 7541; fax 419 248 7357.

Flowery insect repellent

A UK manufacturer has designed a flower-based insect repellent which it believes is more powerful and environmentally friendly than most existing insecticides. Agropharm, a Buckinghamshire-based company, has based the repellent on an extract of African chrysanthemums, called Pyrethrum, which was purified using a carbon dioxide-based process.

The Prevent spray, which can be sprayed on to the body or used as a fly spray, will control a range of insects, including mosquitoes, wasps and cockroaches.

Agropharm: UK, tel (0)1494 816575; fax (0)1494 816578.

Low-power laser cutter trims costs

Summagraphics, a maker of computer peripherals, has introduced a low-power laser cutting system which it believes is a cost-effective alternative to traditional processes such as die or knife cutting.

The system, which costs around £25,000, is designed for prototypes and low-volume production runs. It cuts shapes directly from a computer design system without needing the secondary design work and data preparation required by more traditional processes.

The low power of the laser cutters, which ranges from 10 watts to 25 watts, makes them suitable for precision work.

Summagraphics Europe: Belgium, tel 27150630; fax 27150630.

Protecting paintings from pests

Dealing with pest infestations in works of art is often hindered by fears that traditional fumigation techniques cause long-term damage. An alternative treatment, that deprives pests of oxygen, has successfully been used on 40 beetle-infested oil paintings from churches in Provence, in France.

The paintings, which were up to 15 sq m in size, were split into three batches and put in 80cu m fabric bubbles, which were filled with nitrogen for three weeks. By holding the oxygen level down to less than 0.1 per cent, the pests were eradicated. It is the first time the technique, introduced by Rentokil, the environmental control company, has been used on such a scale.

Rentokil: UK, tel (0)1342 833022; fax (0)1342 326229.

هكذا من الاصل

هكذا من الاصل

ARTS

Cinema/Nigel Andrews

Passions unspoken

BEFORE SUNRISE
Richard Linklater

DEATH AND THE MAIDEN
Roman Polanski

OUTBREAK
Wolfgang Petersen

COLONEL CHABERT
Yves Angelo

Richard Linklater's *Before Sunrise*, a love story set in Vienna, has a plot so small, round and simple that we are amazed it did not roll off the table at the script conference. American boy Ethan Hawke meets French girl Julie Delpy on a train; they wander the Vienna streets throughout one night because they cannot afford a hotel.

Before the script dropped to the floor, the three co-production executives would have given their delighted green light. "It's Rohmerian!" "Better than that, Wolfgang, it's cheap." "And two great parts for young actors." "You got it, Ellen. Gernot, give Mr Linklater a pen."

On screen *Before Sunrise* swells in charm before our eyes. Like Linklater's last pixilated-youth comedy, *Dazed And Confused*, this is a movie about what happens between the lines of human behaviour. Jesse (Hawke) is a goatee-bearded youngster who has been doing the grand tour with a backpack and is due to fly home the next day. Celine (Delpy) is a student dazed and amused by this new-worlder's presumption.

De-trained, they spend virtually the whole movie not touching. Yet the vocabulary of attraction is so minutely detailed that the film tells us more about the chemistry of romance than if we had spent two hours watching bodily fluids being exchanged in the steaming laboratory of a bedroom.

Babbling blithely about the ironies of chance encounters, Celine and Jesse steal nervous glances; sometimes flutter a diffident arm towards each other; sometimes gaze off for help towards the rest of Vienna. Stuck in a music shop's record booth listening to each other's choices – in a scene that should become standard text in every film school for "How to direct actors in silent interaction" – the mime of embarrassment is added to those of diffidence, infatuation and a sly awareness of their own ridiculousness.

The city itself hardly features. Two avant-garde actors invite them to a play about a mentally disturbed cow; a beggar poet sells them an on-the-spot ode. But Linklater's only Viennese set piece is to put his couple on the ferris wheel and hoist them to heaven for their first kiss. The *Third Man* invocation seems apt. *Before Sunrise* is about westerners lost in middle Europe: where they experience a holiday from rationality that changes lives, unpicks preconceptions and turns – magically – everyday conversation into silvered epigram.

★

Less magical is *Death And The Maiden*, Roman Polanski's movie of the play by Ariel Dorfman. This has that disease common to bad stage adaptations: self-replicating implausibility. From the moment the lights go up – or in this case the lighthouse starts turning – on the gorse-clad Northern-Europeanish promontory with its incongruous hacienda containing one human rights investigator's wife (Sigourney Weaver), we wonder how anyone could think we are in a South American country after the toppling of a junta.

Soon more lights come up. They are the headlamps of a car bringing two British actors who, playing Hispanics, naturally speak with US twangs. (Did Weaver have accent approval?) Stuart Wilson is Escobar, the human rights chappie; Ben Kingsley is Dr Miranda, the oily medico who has rescued him from a puncture and is about to step into a near-terminal punch-up. Did Doc Ben once torture and rape a blindfolded Sigourney under the old regime? She thinks she recognises his voice. So will she torture the truth out of *him* once she has trussed him to a chair?

Smouldering between the lines of human behaviour: Julie Delpy and Ethan Hawke in 'Before Sunrise'

Before that she makes a brief, pointless dash for freedom in the Doc's car: a scene notable for its demand that we believe a gravel yard can be crossed and a car door shut, noiselessly, within a few yards of two men (Wilson, Kingsley) getting drunk near an open door. Later the same car will feature, balanced on a cliff edge, in the most howlingly unconvincing back-projection shot in recent history.

I am sure that this play – minus car – could be credible and engrossing on stage, where the enclosed delirium of theatre convention creates its own rules. On film we discern the poverty of the melodramatic ideas, the flim-flam of the "powerful" speeches, and the rigged isolatedness of the setting. (Yes, even the phone lines are down).

As for Weaver, an actress schooled in battling aliens and gorillas, she seems capable of only one expression in this all-human drama. She juts the Sigourney jaw while blazing the Sigourney eyes. Those eyes remain catastrophically dry during her long aria of supposedly grief-stricken emotional recall.

The movie's near-saviour is Ben Kingsley. His role as scripted might as well have been labelled "loony villain"; but he does astonishing things with that deep, singsong voice and those eyes that burn like a magnifying glass poised over brushwood. He brings a choking odour of fear and mortality to the interrogation scenes. And even in the confessional finale – the film's last betrayal of the play – he takes a piece of scripted hokum and turns it into something like great acting.

★

In the engagingly silly *Outbreak*, Dustin Hoffman battles a killer virus. For the first few minutes I thought I was watching out-takes from *The Graduate*. Surely the beaky fellow in the head-to-toe synthetic suit is Benjamin Braddock, about to brave once more his parents' pool? Surely the gaunt authority figures looming around him are party friends, one of whom will take him aside to enounce that single momentous word, "Plastics".

But no, we are in a crazier place still: Boffinland, USA. The suit is Dustin's decontamination gear and the bigwigs are the US military trying to stop the escape of a Horrible Secret. They may have engineered a weapon none of them can stop – so none dares own up to it now that it is running amok.

Director Wolfgang Petersen, who amazed the world by getting Clint Eastwood to act in *In The Line Of Fire*, amazes us here by getting Hoffman to look like a beginner. As an African virus starts slaying a small California town, Dustin must react intelligently to lines like "Looks like we have a Level-4, Sam". Finally he does the only thing a dialogue-traumatised actor can do: he hops into a helicopter with virologist assistant Cuba Gooding ("Ever flown one of these things before?") and tries to beat evil General Donald Sutherland out of the skies.

We could be back in the 1950s: except that like many throwback films this one boomerangs rudely into the makers' faces. The plotting is crass, the climaxes are predictable, the characters are cardboard.

★

Gerard Depardieu in the French film *Colonel Chabert* proves a long-held Andrews theory: that the downfall of civilisation began with the stovepipe hat.

Wearing one throughout, with the rest of his soot-blackened ensemble, Gerard looks like a walking kitchen cooker. As a missing-presumed-dead French army officer in the early 19th century, he wishes to sue his remarried wife (Fanny Ardant) for fortune and property. But why should she entrust either to a man whose appearance seems to invite nought but the swift insertion of a quiche or casserole? Yves Angelo directs. The 110 minutes are long, moody, inconsequential.

Operetta

'Iolanthe' among friends

On Tuesday the Royal Festival Hall had a full house for *Iolanthe*. And a very special crew they were; devoted Gilbert and Sullivan audiences really are a thing apart. Not that many of them *look* eccentric – fewer, probably, than at an average classical concert; but at a glance you can see that collectively, these are people whose clothes, manners and ages betoken a distinct social species. Where many of them come from, I imagine, it may be true even now that every child that's born alive "is either a lit-tle Lib-eral, or else a little Conser-vative".

They make a warmly attentive audience, well versed in the hallowed texts. (Only a few of them had to make their way out during Act 2, and as far as I could tell nobody actually died.) Many of them will have sung one or more of the solo roles in *Iolanthe*, this year or 20 years ago or 40, and a great many of them will be ex-chorus. No, probably *not* that many "ex-": one of the attractions of G&S is that you can – and if you live in the right sort of place you probably do – go on singing in the chorus even after you get your free bus pass.

Iolanthe is a less rollicking piece than *Pinafore*, *Pirates* or *The Mikado* (a chorus composed of noble lords and fairies cannot rollick much), but Sullivan's score retains its frail, bloodless period-charm and its workmanly grace. So does Gilbert's libretto, though the notion that it offers a searching political satire is ridiculous: it just has a few witty lines about the dimness of hereditary peers.

As you may remember, its hero Strephon has the misfortune of being half fairy, half mortal (but *noble*) – the one "down to the waist", the other, mortal half always referred to as "his legs". (Apparently he has nothing in between, which seems likely enough.) He describes his plight rather often, and every line that mentioned his "fairy" component caused a wave of titters, though the modern innuendo would have meant nothing to Gilbert. Strephon and his inamorata Phyllis ("an Arcadian shepherdess") were fetchingly sung by the Canadian bass-baritone Gerald Finley, in pretty good British-English, and by Alison Hagley with her usual smokey hints of something more.

We had a majestically flirtatious Queen of the Fairies from Sarah Walker, even better than her *Pinafore* Butterfly, and Susan Bickley lent sophisticated maturity to Iolanthe, Strephon's mama. Richard Suart pulled out every stop for his Lord Chancellor's big patter-number, to delighted acclaim. As lesser lords, Neil Jenkins and Gordon Sandison were both musical and funny; among the lesser fairies, Eirian James's mezzo stood out for mock-lusty passion. Jonathan Best's made a towering comic turn of Private Willis. Roger Norrington conducted the London Philharmonic with unhurried sympathy, relishing Sullivan's pretty orchestral *trouvailles*, never forcing the tempi.

David Murray

Theatre/Alastair Macaulay

The Liberation of Skopje

Neither some luminous acting (by Vanessa Redgrave, *et al*) nor good political intentions (pro-Sarajevo, etc.) suffice to save the Moving Theatre Production of *The Liberation of Skopje*. Thinly but stolidly written by Dusăn Jovanovič, it has been performed internationally since first it was performed in Zabgreb in 1977. In this, however, its first performance in English, it is tricksily directed by Ljubiša Ristic, with the result that several theatrical devices serve only to dilute its serious but none too arresting tale of a Macedonian household's troubles under Nazi-cum-Bulgarian occupation.

The play is composed of divers scenes, occurring in narrative order, showing how Georgij (Rade Serbedžija) is arrested and cerebrally injured and partly paralysed by torture for his Communist affiliations, how his wife Lenče (Vanessa Redgrave) loses the baby she was expecting, how her sister-in-law Lica (Hilary Tones) is persuaded into taking a German officer as her lover to gain various privileges for the household, and so on.

It is a somewhat fragmentary tale, and Ristic chops it up fancily into further fragments. The production begins with a collage of Moments, Moments which we will later see again as they occur in Context. But even when we get into Context, it too is interrupted by this sub-cinematic emphasis on Moments.

When Georgij, at first unable to make a sound on his return from torture, first sees the German officer in his house, his reaction (and that of those around him) is shown three times – once in terms of sheer physical gesture, once as slow-motion (and therefore carefully anatomised) physical gesture, and once as the build-up to his first appalled release of sound. Smart, but curiously unmoving.

Worse is the way Ristic fills the many gaps between the scenes with crummy and pointless electric-guitar rock muzak by Leb I Sol. And too few of the adult roles are sufficiently well acted. Serbedžija – who contributed several charming episodes in Vanessa's last London vehicle, *Brecht in Hollywood* – is here as bad an actor as she is good. He never convinces as someone who is battling to speak after right-side paralysis, and he never succeeds in showing the frustration, misery, and degeneration of a man who realises his life is now forever crippled.

Watching Vanessa as Lenče reveals both what can be learnt from her and what cannot. The economy of her playing is extraordinary. Most of the time, she gives a performance that, in a lesser actor, would be called thoroughly under-powered, and yet she brings to its drabbest passages a quality of rugged, inextinguishable "soul" – so perilous a term in the performing arts – that lights up the space around her and brings powerful humanity to a generally dreary production. Vanessa is the least English of all the great English actresses; and it is this un-English and soul-full essence of her art that is the most inspiring aspect of her sometimes pathetic immersion in international politics.

But *The Liberation of Skopje* is less about Lenče than it is about children – about the plight of inquiring innocents amid a situation when values are up-ended. Not all the kids here are well enough directed, but the key role of Zoran is finely taken by little Thomas Orange. Apart from his last big speech, which would be a tough assignment for an adult, he makes his role as real as Vanessa does hers; and when the two of them play together, all the tosh of the surrounding production fades away and the human spirit becomes large and thrilling.

Alastair Muir

Vanessa Redgrave: rugged, inextinguishable soul

Riverside Studio 1, London W.6

Molière's 'George Dandin'

Blowing the dust off neglected texts by classic playwrights is a valuable occupation, but also a hazardous one. Many rarely performed old plays would do much better languishing in their relative obscurity.

So it proves with Molière's *George Dandin*, now unhappily unearthed by Red Shift theatre company. Everyone is entitled to an off day, but Molière seems to have been distinctly under the weather when he wrote this seldom staged comedy. Indeed, he probably was, since it seems to reflect his own marital unhappiness. But authenticity is no guarantee of merit: what we see here is a feeble comedy about a cuckolded husband, who tries in vain to prove to his father-in-law that he is being wronged, while his wife and servants run rings around him.

The play has some attractive features. There is the reversal of traditional roles: the woman, not the man, is the philanderer. There is the social comment: the aristocratic wife has been married off to the self-made husband because he has wealth and she does not. There is also the contrast between the knockabout comedy and the husband's poignant monologues. But this is not enough to sustain you, and you feel you are watching a sketch for one of Molière's better comedies. The characters are thin – as they generally are, but not funny – as they generally are. In fact, they are unpalatable and irritating, the hang-dog husband included.

Translator and director work hard to inject energy into this lifeless turkey. Ranjit Bolt's translation is laid back yet playful, perked up with anachronisms and jaunty with vulgarity; Jonathan Holloway's production is fast, spare and stylised. He uses a simple set by David Roger – a white wall with a door in it that spins around to suggest outside and indoor worlds and allows plenty of potential for slapstick – and drafts in Toby Sedgwick, founder of the Moving Picture Mime Show, to spice up the physical side of the production. The maid's would be lover Lubin, is played by Simon Hunt as a beanpole clown and there is plenty of slapstick. The play's grasp of the absurd is highlighted. But the more energy this undoubtedly talented crew expend and the harder they try, the more frustrating the evening becomes. All in vain: our turkey remains, stiff, with its legs in the air.

Sarah Hemming

Cochrane Theatre, London, to April 29, (0171-242 7040) then on tour.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with soloist Natalia Gutman. Evgeny Svetlanov conducts Shostakovich and Tchaikovsky; 8.15pm; Apr 20, 21

■ BERLIN

CONCERTS
Deutsche Oper Tel: (030) 34384-01
● Gala Concert: with Lucia Aliberti, Alfredo Kraus and the choir and orchestra of the Deutsche Oper Berlin. Marcello Viotti conducts a variety of operatic pieces; 7.30pm; Apr 25

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Carmen, Flamenco: guest performance by the Ballet Teatro Espanol di Rafael Aguilar; 8pm; Apr 20, 21, 22
● Lohengrin: by Wagner. Conducted by Hollreiser/Thielemann, produced by Götz Frederich; 6pm; Apr 23
● The Masked Ball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30pm; Apr 26

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● The orchestra of the Royal Opera House: with soprano Angela Gheorghiu. Christian Thielemann conducts Wagner, Mozart and Strauss; 7.30pm; Apr 24
Queen Elizabeth Hall Tel: (0171) 928 8800
● Orff and Poulenc: Ian Humpheries conducts the National Westminster Choir and the *Westminster Philharmonic Orchestra* to play Orff's "Carmina Burana" and Poulenc's "Gloria"; 7.45pm; Apr 26
● The London Philharmonic: with the Hilliard Ensemble and the London Philharmonic Choir. Roger Norrington conducts Pärt; 7.30pm; Apr 23
Royal Festival Hall Tel: (0171) 928 8800
● Lazar Berman: pianist plays Beethoven, Chopin, Janáček and Liszt; 3.45pm; Apr 23
● Royal Philharmonic Orchestra: Yuri Temirkanov conducts Shostakovich's "Symphony No.1" and Tchaikovsky's "Symphony No.5"; 7.30pm; Apr 22
● Yakov Kreizberg: conducts the Bournemouth Symphony Orchestra inDebussy, Stravinsky, Krenek and Beethoven; 7.30pm; Apr 20
GALLERIES
Hayward Tel: (0171) 261 0127
● Yves Klein: more than 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23
***National Portrait** Tel: (0171) 306 0055*
● Richard Avedon: large scale photographic portraits and fashion shots; to Jun 11

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 20, 22
Royal Opera House Tel: (0171) 304 4000
● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 22
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival"; 7.30pm; Apr 20

THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● Our Boys: written and directed by Jonathan Lewis. An exploration of military institutions through life in a military hospital; 8pm; to May 13 (not Sun)

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Briggite Fassbaender: mezzo-soprano with pianist Jean-Yves Thibaudet plays Mahler, Reimann, Liszt, Mihaud and Weill; 8pm; Apr 23 (2.30pm)
● New York Philharmonic: with conductor/harpsichordist Leonard Slatkin and mezzo-soprano Frederica von Stade plays Poulenc, Debussy, Argento and Copland; *8pm; Apr 20, 21 (2.30pm)*
Carnegie Hall Tel: (212) 247 7800
● London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Ravel, Webern, Berg and Boulez; 8pm; Apr 22
● London Symphony Orchestra: with soprano Maria Ewing. Pierre Boulez conducts Boulez, Messiaen and Stravinsky; 3pm; Apr 23
● San Francisco Symphony Orchestra: with pianist Peter Serkin. Herbert Blomstedt conducts Beethoven and Schubert; 8pm; Apr 20

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the surviving "Composition" paintings; to Apr 25

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 6.45pm; Apr 22 (12.00pm)
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 21

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Daniel Barenboim: pianist and conductor with the orchestra of the Deutsche Oper Berlin in a programme that includes Beethoven; 8pm; Apr 26
● Orchestra of the Deutsche Oper *Berlin: with pianist Elena Bashkirova,* soprano Alessandra Marc and mezzo-soprano Uta Priew. Daniel Barenboim conducts Beethoven's "9th Symphony"; 8pm; Apr 21
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky; 8.30pm; Apr 20

GALLERIES
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● Marc Chagall: exhibition that charts the development of Chagall's distinctive style; to Sep 17

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer. Soloists include Carol Vaness, Anthony Michaels-Moore and Keith Lewis; 7.30pm; Apr 20, 21, 24
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 20

THEATRE
Petit Odéon Tel: (1) 44 412 36 36
● Cat and Mouse (Sheep): written and directed by Gregory Motton, a satirical look at present-day England. The first in a season of plays in English; 6.30pm; to Apr 23

VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● Viennese Philharmonic Orchestra: with mezzo-soprano Jard van Nes. Bernard Haitink conducts Mahler's "Symphony No.3"; 11am; Apr 23
● Viennese Symphony Orchestra: with violinists Jan Pospichal and Florian Zwiauer. Rafael Frühbeck de Burgos; 7.30pm; Apr 23

■ WASHINGTON

CONCERTS
Kennedy Center Tel:(202)467 4600
● Murray Perahia: pianist plays Handel, Schumann and Chopin; 7pm; Apr 26
● National Symphony Orchestra: with conductor/violinist Iona Brown plays Mozart, Bach, Barber and Handel; 8.30pm; Apr 20, 21, 22, 25 (7pm)
● St. Luke's Orchestra: with pianist Elizabeth Mann. André Previn conducts Prokofiev, Mozart and Beethoven; 3pm; Apr 23

GALLERIES
National Gallery Tel: (202) 737 4215
● The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Included are artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23

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Financial Times Business Tonight

Old war wounds bleed afresh

BOOK REVIEW

IN RETROSPECT: The Tragedy and Lessons of Vietnam
By Robert S. McNamara with Brian VanDeMark
Times Books; $27.50.

The Vietnam war may have come to a military end 20 years ago this month when the last Americans were lifted by helicopter from the roof of the US embassy in Saigon. But the US itself is far from ready to close the book on the most divisive foreign conflict in which the country has ever engaged. Every time it tries, by commemorating in a black wall those who died or by winning a war in some corner of the world, the old wounds find a way of bleeding afresh.

The cause of the current haemorrhage is Robert McNamara's memoir of his central role as an architect and prosecutor of the war while secretary of defence from 1961-67. It is, *his opening sentence runs*, "the book I planned never to write". The main reason for breaking nearly 30 years of public silence is that "I have grown sick at heart at witnessing the cynicism and even the contempt with which so many people view our political institutions and leaders". It is an absolute *mea culpa* – "We were wrong, terribly wrong. We owe it to future generations to explain why."

This he does with painful honesty, as befits an expiation by the best of the brightest. Henry Ford's hand-picked heir apparent before the Pentagon, president of the World Bank for 14 vivid years thereafter, and still, at 78, a climber of mountains and articulate dreamer of a better world.

He writes that the US should have pulled out of South Vietnam in 1963, after the assassination of President Diem, or perhaps a year later, or even in late 1965, any of which would have saved the lives of nearly 58,000 American soldiers and between 3m and 4m Vietnamese. He thinks JFK would have eventually ordered a withdrawal had he lived but that LBJ, though racked by doubt, never could accept the idea.

By the end of 1965 he had his own misgivings that the war could be won. So did others in the administration, but this was already known as McNamara's War and he could not then disown it and the presidents he served. He eventually did tell Lyndon Johnson as 1967 wound down that military victory appeared impossible and soon after was gone from government.

But if he ever thought that by coming clean he could exorcise public and private demons and even offer lessons for the future he has, at least in the short term, been sorely disappointed. For the reaction to his book has simply dwarfed its content and its purpose.

A New York Times editorial last week was the ultimate in a deluge of outrage. Mr McNamara "*cannot escape the lasting moral condemnation of his countrymen . . . perhaps the only value [of his book] is to remind us never to forget that these were men who in the full hubristic glow of their power would not listen to logical warning or ethical appeal . . . 58,000 Americans got to come home in body bags. Mr McNamara, while tormented by his role in the war, got a sinecure at the World Bank and summers at the Vineyard . . . what he took [from those who died] cannot be repaid by prime-time apology and stale tears, three decades late".

His defenders have been few and far between and the many interviewers to whom he has subjected himself, sometimes tearfully, unremittingly harsh.

General William Westmoreland, the US commander in Saigon who still clings to the belief that it could have been won if the politicians had not got in the way, said Mr McNamara's reservations were "never indicated to me".

But they have been indicated now, with the author offering 11 lessons for the present and future. The lesson in which he laments "our profound ignorance of the history, culture and politics of the area" surely should still resonate sharply today as the US confronts a new breed of post-cold war adversary – Saddam Hussein, Bosnian Serbs, Islamic fundamentalism and nationalists of countless different stripes, about whom and which policymakers often seem to know so little.

At one point, McNamara blames Joe McCarthy's purge in the 1950s of a whole generation of American Sinologists. But even that hardly excuses his frightening admission that US assessments of the threat posed by Beijing late in 1965, before US involvement in the war was total, "took no account of the centuries-old hostility between China and Vietnam".

In other words, US policy, reinforced every time advice was sought by JFK and LBJ from Dwight Eisenhower, was stuck in the cold war rut of the "domino theory", which held that, if South Vietnam was lost, so would be the rest of south-east Asia and that North Vietnam was merely China's agent and part of the communist conspiracy to undermine the US around the globe. That golden rule overrode not only all evidence of how hapless and corrupt were successive regimes in Saigon, but also rendered irrelevant obvious setbacks to China's regional ambitions such as, in fateful 1965, its confrontation with India and the anti-Chinese, anti-communist coup and pogrom in Indonesia.

McNamara recounts how Dean Rusk, secretary of state, and Walt Rostow, LBJ's national security adviser, argued that all external US obligations, including to Nato and Japan, would have been put in jeopardy had its Vietnamese tent been folded. He now questions these judgments – but did not at the time.

What he did was to conduct policy "according to what we thought were the principles and traditions of this nation", which proved wrong. Or, as the New York Times editorial would have it, apropos the Vietnam Memorial, "that black wall is wide with the names of people who died in a war that he did not, at first, carefully research, nor, in the end, believe to be necessary". The US awaits the next wound.

Jurek Martin

ECONOMIC VIEWPOINT

Political economy of job creation

By Samuel Brittan

The very high levels of European unemployment have spawned so many conferences, studies and books that they amount to a minor job creation effort in their own right.

Nevertheless, most mainstream writers give out an uncertain sound. Numerous explanations are given, the relative importance of each of which is left obscure. Various remedies are suggested, often in a half-hearted and heavily qualified form.

An example is the one entitled *Unemployment: Choice for Europe*, by six authors from five countries, just published by the Centre of Economic Policy Research*. The summary emphasises several negatives. The rise in European unemployment is not, it asserts, due to competition from developing countries, rapid technological change, or the generosity of welfare provisions (although the latter does help account for the "persistence" of unemployment). Nor is high unemployment due to sclerotic labour markets or to labour market rigidities "in any simple way". Nor will deregulation "by itself" drastically improve labour market performance.

Nevertheless, the CEPR document is worth attention for one novel section. This is on who would gain and who would lose from labour market reforms which succeeded in creating more jobs. In so doing, it reveals the political problems to be overcome and justifies its assertion that unemployment is a political problem – although not quite in the sense for which anti-capitalist readers might be hoping.

The authors present a stylised model, in which the labour force is divided into five groups of equal numbers, starting with the least skilled (Group I). The distribution of income is based on the existing French one. The aggregate incomes of the top workers, Group V, are somewhat more than three times as high as the bottom group's. The overall unemployment rate is taken to be 11.7 per cent, corresponding to recent French levels. Relatively generous unemployment benefits (corresponding to half the income of the employed members of the same group), together with minimum wages, are supposed to raise pay for all groups except the top one, but at the expense of boosting their unemployment rates.

A labour market reform is then assumed to take place consisting of deregulation and lower benefits. This leads to the reduction of unemployment to 6.4 per cent – a rate typical of the US recently. But this liberalisation has the effect of widening pay differentials to American levels, where the top group has about six times as much as the bottom. The whole exercise thus assumes that labour market rigidities are, after all, at the heart of the jobless problem.

The aggregate real income gain from the resulting employment increase is put at 3.3 per cent – less than the increase in jobs, presumably because of diminishing returns from employing more workers. The chart shows the absolute gain and losses of different groups. As one would expect, the biggest gains are by most of the unemployed and by the top groups of those already with jobs. The bottom group of unemployed loses, however, because the reduction in benefit harms them more than the increased prospects of gaining very modestly paid jobs.

The upshot is that, on the authors' calculations, only 44 per cent would support the proposed reform. Obviously the stylised assumptions should not be taken too literally; and there may be ways of making labour markets more competitive other than by slashing unemployment benefit. But the main results still ring true.

The gains from a higher national income accrue to a diffused coalition of the unemployed and the upper and upper-middle ranks of those with jobs. On the other hand large losses are experienced by *low paid workers already in* jobs, from whom an outcry can understandably be expected.

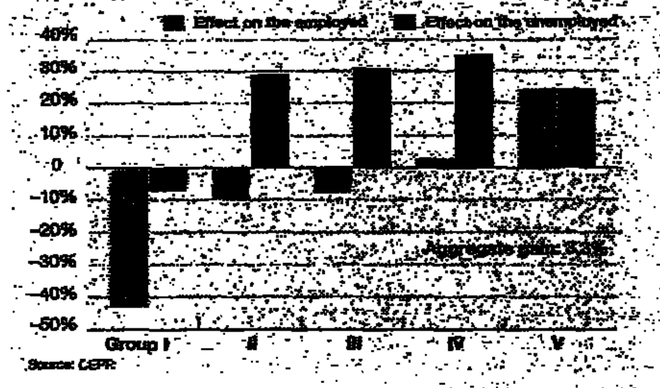
The main political point made by the CEPR booklet is that the median voter in between the extreme losers and gainers does not have much stake either way in wholesale reforms. He or she is therefore reluctant to face a bitter struggle with the losers, as well as the many uncertainties. Such inertia explains both why there has been so little pressure to change the European system for greater flexibility or to change the US system for more security of income. Thus there has been a sort of political equilibrium on both sides of the Atlantic.

Pricing into work: possible effects

Assumed income shares and unemployment rates

	Income share pre-reform	Income share post-reform	Unemployment rate pre-reform	Unemployment rate post-reform
Group I	10%	7%	17.8%	6.4%
Group II	12%	10%	11.9%	6.4%
Group III	17%	16%	11.0%	6.4%
Group IV	23%	23%	9.3%	6.4%
Group V	38%	44%	8.8%	6.4%

Gains and losses from reform



Source: CEPR

The CEPR authors recognise that the European equilibrium is precarious and could change if insistence on curbing pay relativities were to increase unemployment and threaten the political majority in favour of the status quo. But the best climate for reform may be when an expanding economy is experiencing a high rate of structural change, implying a high rate of both job destruction and potential job creation. An example was Spain in the mid-1980s, which introduced large-scale temporary job contracts at well below union rates. Unfortunately a counter-attack by the unions and government weakness have since undermined the reforms.

Why not replace unemployment benefit by top-up pay to provide a minimum income?

Nevertheless, a change which increases total employment and work effort *must* generate enough extra resources to compensate the losers and still leave everyone else better off. The CEPR is too preoccupied by the difficulties of making the compensating transfers. If they are too low, the losers among unskilled employers will block the reform. If they are too high, and therefore cost too much in taxes, the skilled employees (who would otherwise gain) will try to block it instead.

Let me therefore end with my own illuminating simplification. Critics who say that present benefits subsidise unemployment instead of promoting jobs are right. But there is no need to starve or impoverish those who at present receive them. Why not abolish unemployment benefit completely and replace it by top-up payments? The payments would sustain a modest minimum income, not by interfering with pay deals, but by supplementary payments to all households whose income fell short of that minimum, whether employed or not. They would be conditional on efforts to find work by the able bodied of working age and thus would *not amount* to a full basic income scheme. The payments would also taper off more steeply than in most basic income schemes. It is difficult to believe that such a package would *not* improve the whole balance of incentives.

The main argument against a *minimum* income top-up is that it would lead to lower wages for the worst paid. It is best to face this likely consequence. The lowering of pay, pre-benefit and tax, is one of the ways in which such workers would be priced into jobs. But more might have to be spent on social security, at least to start with.

The switchover would nevertheless raise total output provided that the extra production of those priced into work offset the disincentive effect of the taxes raised to finance the in-work payments. Future unemployment studies would do well to work out simulations along these lines, together with their political economy, rather than regurgitate the stock list of facts, figures, arguments and qualifications.

Even on present knowledge, the income top-up proposal is not nearly as revolutionary as it looks. For governments are *already* moving in that direction by a series of *ad hoc* measures, such as extending UK Family Credit. The full switchover can be regarded as a guide for the further development of measures already announced, for instance in the 1994 UK Budget or in some of the CEPR's own compromise proposals, such as "eroding minimum wages". The danger is that the revolutionaries will not have the patience to study and improve on what governments are doing, while practitioners will lose the organising principle in a mass of expedients and detail. Hence the need for a slogan for reform.

**25 Old Burlington St, London W1X 1LB*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

UK proposals for company rescues flawed

From Mr Tony Caplin and Mr Geoff Eades.

Sir, The government proposals for introducing a 28-day moratorium to enable directors to organise a rescue plan to save their companies are seriously flawed and contradictory ("Radical plan for company rescues", April 6).

The proposals state that an appointed accountant can ask for a court order protecting assets if, among other criteria, "the company's banker is in favour". As a general rule the bank will not be in favour as its attitude has precipitated the crisis in the first place!

Why should the banks wait? They are anxious to protect their money. Creating a 28-day moratorium will lead to the banks triggering receivership sooner rather than later.

When a company runs out of working capital facilities, the basic question for the bank is – can the bank, in the form of a receiver, do a better job than the local management?

If at any time it thinks otherwise, it is a quick decision to appoint a receiver who, because of the very nature of the problem, will have already conducted on behalf of the bank a preliminary report and be on standby to be appointed.

We speak with first-hand knowledge, having rescued the Hunterprint Group from the grip of receivership. The company's survival depended upon the management's ability to keep within facilities. The efforts made to keep the bank informed were matched only by the efforts constantly to communicate with all creditors, debtors, customers and shareholders.

We survived because management worked at it. We had good advisers, we took tough decisions and implemented them (Hunterprint is now in the hands of a financially strong group, Quebcor Printing of Canada, and is once again recruiting).

The true debate about the survival of companies should be about how directors and bankers can professionally understand each other's needs and objectives to build a partnership which should endure through the peaks and troughs of business cycles, avoiding excessive short-term reactions.

It should not be about how to get out of trouble when you are deep in trouble.

Tony Caplin,
former chief executive,
Geoff Eades,
former finance director,
Hunterprint Group,
22 Elm Lodge,
River Gardens,
London SW6 6NZ, UK

Respect for language

From Mr Alan Drattell.

Sir, Americans do not have a corner, as we say in the US, on bad English. The British must share this dubious distinction with us.

As a purist of sorts, I like to read and hear clear and concise language; redundancies, for instance, offend me. One of the most horrific is the British turn of phrase that adds the superfluous "time" after three minutes, three days, three weeks, months or years. Can't you just say, "It will occur in three weeks."? This abomination is in league with Richard Nixon's favourite, "at this point in time", a wordy phrase that really means "now".

Also, the British have fun with punctuation, particularly commas. We, in America, if we are grammatically correct, find that commas have a function; you use them as pauses. The result is that you break up a subject and a predicate at times with a comma – a grammatical no-no in the US – and you often do not use them properly in complex or compound sentences, causing the reader to re-read what has been written to discern precise meaning.

Of course, an American cannot ignore the waste of added letters in ordinary words. Why must you put an "e" in aging, for instance, or in judgment? And whilst does not make while a more proper conjunction. Just think of all the paper you could save by dropping some of those useless letters.

These are but a few examples of how the Brits also bruise a language even we Americans love too. It is a rich language that enables each of us to express ourselves in a variety of ways. We should treat it with more respect.

Alan Drattell,
11707 Charen Lane,
Potomac, MD20854, US

No benefit to the blind

From Mr John Wall.

Sir, In reference to your editorial, "Benefit doubts" (April 13), the Royal National Institute for the Blind is also deeply concerned about the new incapacity benefit.

The aim appears to be to restrict benefit to those who are severely disabled, with the introduction of a stringent medical test, and does not take account of age, experience or ability to do actual jobs or work-related activities. As such, it is neither fair nor understandable. It will affect partially sighted people who are eligible for our services, and who have a serious visual impairment, but who may fail the new test.

Blind and visually impaired people who now become incapable of work will find that the amount of benefit they can claim for themselves and their dependents will be substantially reduced, and will bear no relation to earnings.

In most cases, they will find that the protection they believed that they were paying for through ever-increasing National Insurance contributions is below income support level and will, of course, be taxed. Despite the rhetoric of the Disability Discrimination Bill, disabled people are having to shoulder the burden of social security cuts.

During the passage of the bill, RNIB argued that the new provisions could act as a barrier to employment, leaving some blind people trapped on benefit, while partially sighted people who fail the test could find themselves without employment, training or an alternative income.

John Wall,
chairman,
Royal National Institute for the Blind,
224 Great Portland Street,
London W1N 6AA, UK

A meaningless demand by Inland Revenue over self-assessment

From Iain C. Baillie.

Sir, While welcoming the approach of self-assessment, I trust that it will be possible to persuade the Inland Revenue that it should not send out forms demanding information for a financial year where a reply is required within 30 days of the end of that financial year. The form recites penalties for not returning in time, although there is a hint of discretion.

Accountants are well aware that, in fact, these demands for return of the form within 30 days are meaningless, but will the lay person be fully aware of this practice? In other countries in which self-assessment is practised, particularly the US, one has three and a half months from the end of a financial year within which to return the necessary form and make payment.

The British system of six months, to October 30, is more generous as far as payment is concerned, but the system is far less practical from the point of view of return of the form. From past experience, for example, I am well aware that I may not know until at least the end of April, and sometimes later, the amount of payments made to me in regard to overseas investments and even some British bank accounts.

If the information is required for calculating allowances for the new financial year, then perhaps these should be required by a separate form, again as is done in the US. One has the slight suspicion that self-assessment has been imposed on the Inland Revenue, which is quite determined to make the system as unworkable as possible.

Iain C. Baillie,
20 Chester Street,
London SW1X 7BL, UK

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday April 20 1995

Sterling's weakness

How should the UK's monetary authorities respond to sterling's weakness? They should feel a mixture of pleasure, concern and determination: pleasure that they are not compelled to defend a target for sterling; concern about what the currency's weakness might mean for inflation; and determination that, come what may, they will do their best to achieve the inflation target.

Weak the pound is, touching an all-time low of DM2.18 and 83.6 on the Bank of England's trade-weighted exchange rate yesterday. Sterling has lost 10.4 per cent of its value against the D-Mark since the beginning of the year. Even on a trade-weighted basis it has depreciated almost 6 per cent.

A part of the reason for sterling's weakness – perhaps the major part – is the strength of the Japanese yen and the D-Mark against the US dollar. A declining dollar tends to drag sterling down with it, as also happened before the pound's exit from the ERM in September 1992. It would almost certainly be pointless and probably very damaging to attempt to resist the rough currency weather. It must be pleasing to Mr Eddie George, the governor of the Bank of England, and Mr Kenneth Clarke, chancellor of the exchequer, that they are not obliged to defend a fixed exchange rate. Yet that pleasure must be kept in bounds. Even if they are not compelled to resist the movement, they must be concerned about the effect on inflation.

Uneasy perch

Such concern was expressed by Mr George at the monthly monetary meeting with the chancellor on March 8. Even then, when sterling was uneasily perched at DM2.25 and its trade-weighted index was 86, Mr George remarked that in the previous few days the foreign exchange markets "had had an effect on sterling which, if it persisted and/or worsened, would need to be taken into account". He also warned that "while it would be premature to react with any policy move at this stage, the possibility could not be excluded that he might need to revert to the chancellor if the situation were to deteriorate".

Is now the time for Mr George to revert? It is certainly coming closer. The effective exchange rate has depreciated by more than 4 per cent since the Bank of England published its last inflation report, shortly after the latest increase in base rate, to 6.75 per cent, on February 2. At that time the Bank argued that inflation over the next two years was more likely than not to exceed its central projection of about 2½ per cent, which is also the upper bound of the government's target for the end of the parliament. The recent depreciation, if it were to last and still more if it were to continue, would further imperil achievement of that target.

Fears on costs

The main worry is not over demand or output, but over costs. Producer input prices rose 11 per cent in the 12 months to March, although this is at least down from the 12.1 per cent in the year to January. Even if the spike in costs is now in the past, the increase is still to be passed through into output and retail prices. What is more, devaluation is likely to increase costs further.

Unfortunately, higher interest rates may have no, or even a perverse, effect on sterling. They would do nothing about the all-important weakness of the dollar. Sterling has been declining against the D-Mark, notwithstanding a marked improvement in relative short-term interest rates. Above all, to the extent that the weakness of sterling is the consequence of political uncertainty, higher interest rates and heightened concern about consequent slow growth could easily make things still worse.

Higher interest rates are, in fact, more likely to work by deflating the domestic economy, so offsetting the inflationary effect of depreciation. But that would be a painful and a depressingly long route towards achievement of the inflation target.

This is where the determination comes in. Sterling is so often weak that depreciation cannot be used as a reason for missing the inflation target. No excuse would be more certain to guarantee further failure in future. The inflation target may have been mis-specified; it may have been too low; but it must be met. If the decline in sterling continues, Mr George will have to grit his teeth and suggest another rise in the base rate.

Dagenham turns a corner

Ford's sprawling car plant in Dagenham, east London, used to symbolise all that was wrong with the UK motor industry, and the country's manufacturing base generally. Now it is more emblematic of how much has changed.

Ford confirmed yesterday that it would invest a further £200m in the Dagenham plant, thus confirming its position as the company's only source, worldwide, of car and light commercial vehicle diesel engines. The announcement came only a month after the company unveiled plans to produce Fiestas in Dagenham, for Mazda to sell in Europe. Taken together, the two decisions ought to guarantee the survival of both the engine and car assembly plants at the site for a good many years.

That Ford now seems happy to rely only on Dagenham to produce such engines for sale in growing international markets – such as India, Latin America and the Asia-Pacific region – is a decisive vote of confidence in the productivity improvements which have been wrung out the plant in recent years. Labour productivity in Dagenham has risen by 38 per cent since 1990 alone: more than double the 16 per cent increase achieved in the UK manufacturing sector as a whole over the period.

The roots of Dagenham's greater efficiency are the same as they have been elsewhere in the manufacturing sector: dramatic cuts in the workforce and an accompanying humbling of the unions. The UK vehicle and parts industry as a whole shed 185,000 jobs, or 45 per cent of the workforce, in the seven years from 1980 to 1987.

Union leaders

Dagenham workers inflicted the first defeat for the last Labour government in the 1978-79 "winter of discontent". These days, when Ford announces – as it did in December – that lower than anticipated sales are forcing it to suspend output at the plant, the union leaders' complaints are scarcely audible.

Work practices and overall productivity at the site continue to show room for improvement in comparison with Ford's other production sites on the continent, and the sites of other companies. The same can doubtless be said of the car industry more generally. A recent Andersen Consulting Study comparing UK component plants with those in Japan, the US and the rest of Europe estimated that the typical UK plant would have to double output – with the same labour force – to achieve what it describes as "world class" levels of productivity.

All the same, Dagenham's turnround has been impressive, especially given the plant's long and troubled history. Greenfield sites – even those operating with an identical workforce – tend to have an easier time banishing the inefficient and antagonistic habits of the past.

Inward investors

That has certainly been the lesson of the success of the newer inward investors in the UK car industry over the past 15 years. On average, foreign-owned enterprises have achieved 32 per cent higher net output per employee than domestically owned outfits in recent years.

In the motor industry, where inward investment has been most noticeable, the plants established by Toyota, Nissan, Honda and others have already increased domestic car production, up from an early 1990s low of less than 900,000 units to an annual rate of about 1.3m earlier this year. On current trends, the companies' activities will generate output over the second half of the 1990s of over 2m cars a year.

The UK car industry now entering the second half of the 1990s is no longer even partly British-owned, and employs a fraction of the workforce in place at the start of the 1980s. But neither is it inefficient, dogged by industrial disputes or lumbered with an overvalued exchange rate as it was a decade ago.

The removal of these negatives ought to mean that it now faces the rosiest future in two decades. But exploiting its current advantages in the direction of job-creation and expanding output will require higher rates of capital investment than have been seen in recent years, and modest wage deals as the labour market begins to tighten in the years to come. More companies, in other words, will have to show Ford's confidence that the bad old days are gone for good.

Knocked off the road again

Japanese carmakers, coming out of recession, face renewed pressure from the yen, says Michiyo Nakamoto

The yen's surge to new highs against the dollar has stirred a sense of frustration among Japan's leading car manufacturers, which have just begun to emerge from four years of a bruising recession at home.

During that downturn, the rising yen forced them to cut costs sharply to retain their competitiveness in world markets. But despite their efforts, there appears to be no end in sight to the currency's appreciation, with the yen rising through 80 to the dollar yesterday.

"The situation is serious," says Mr Nobuhiko Kawamoto, president of Honda, Japan's third largest carmaker. "For the past four years we have been chasing the rising yen but we have still not been able to overcome it."

If the exchange rate persists at current levels, it is likely to accelerate the move of car production outside Japan. It will also force the carmakers to rationalise their domestic industry, raising difficult questions for companies unused to laying off employees.

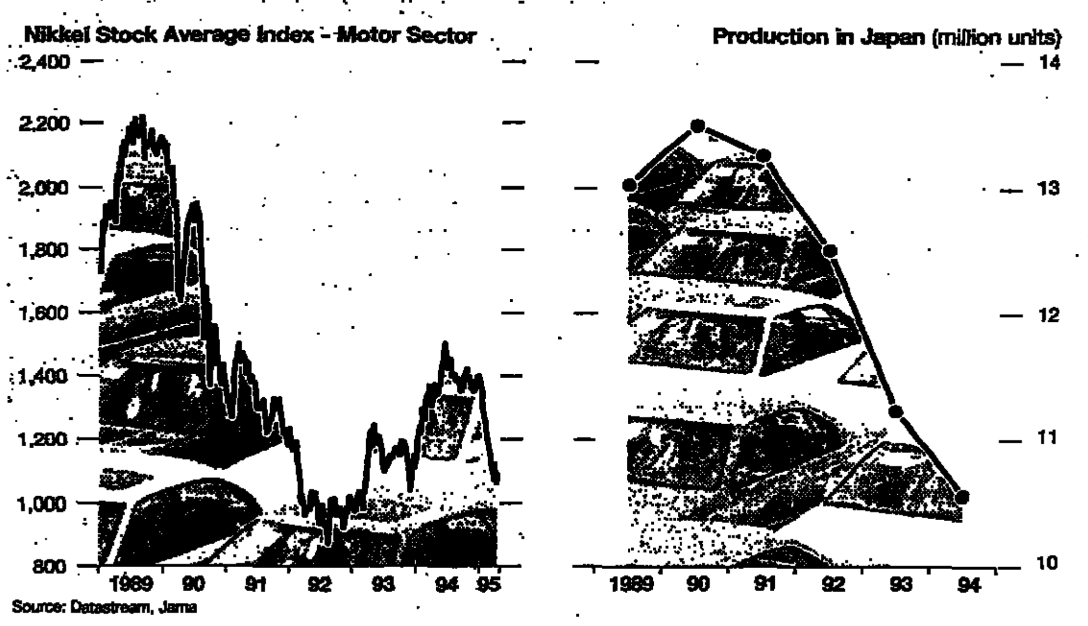
The latest currency turmoil is all the more disturbing for the industry with the failure of US and Japanese trade negotiators so far to agree measures to improve foreign access to Japan's vehicle and parts market. Without an agreement, the currency markets believe that the US will be happy to see the yen rise further to make the American car industry more competitive. If Japanese agree to concessions, the country's carmakers will inevitably lose domestic market share.

The manufacturers' alarm over the yen's recent rise is understandable, given that they had just begun to reap the benefits of measures taken in response to the yen's upsurge during the recession. The stringent moves to combat a sluggish market and a high yen have generally been successful in restoring the industry's fortunes. Although Mazda and Nissan still made losses in the fiscal year just ended, Toyota, Mitsubishi and Honda are looking for firm improvements in pre-tax profits.

The Japanese car market has started to recover some of its kick, growing firmly for the past 10 months. Domestic sales of new cars in the year to March were up 5.1 per cent from the previous year to 5.06m units – the first rise in four years. In March, domestic sales were 11 per cent higher than the previous year, following a rise of nearly 13 per cent for February.

Most Japanese carmakers are forecasting higher domestic sales this year, with the projections ranging from the 6.6 per cent rise expected by Mazda to the 14 per cent aimed for by Mitsubishi. Strong demand is expected for cars to replace those sold in the boom years between 1988 and 1990 which industry officials and analysts say will sustain the recovery for the next three years.

Japanese car producers: alarmed by the high yen



Source: Datastream, Jama

New models better suited to the less prosperous times following the recession have been introduced. Nissan's remodelled Cefiro, launched last August, is 5 per cent cheaper on average than the model it replaced.

Japanese car manufacturers are also seeing the benefits of painful restructuring measures adopted during the recession, including savage trimming of costs. Toyota, the country's largest and financially soundest carmaker, saved \$1.5bn – or about 1.8 per cent of its approximate annual \$81bn domestic manufacturing costs – last year by developing cheaper parts, introducing more cost-efficient production processes, reducing the number of parts used in each car and the number of model variations available, streamlining logistics and calling on their suppliers to cut costs.

Through a rigorous review of their operations, most Japanese car companies have brought costs down and withstood the rise of the yen from an average of Y133 to the dollar in 1991 to something closer to Y100 to the dollar in the last fiscal year. "New products introduced over the next few years, based on less costly production and design techniques, likely will lower [their] break-even level . . . perhaps as low as Y85 to Y90 to the dollar," says Mr Keith Donaldson, industry analyst at Salomon Brothers.

Japanese carmakers have also largely held their share in overseas markets in spite of the the yen's sharp appreciation.

In the US, they maintained a market share of 29.5 per cent for cars last year, fending off a stronger challenge from the "Big Three" US carmakers – General Motors, Ford and Chrysler – which have become much more competitive.

In Europe, the Japanese have kept a fairly constant share of about 10.9 per cent of EU markets, according to ACEA, the European Automobile Manufacturers' Association. "It is true that US and European automakers have improved greatly in terms of quality and prices. But Japanese automakers have not been standing still and, in fact, have been working very hard," says Mr Yoshifumi Tsuji, president of Nissan.

Despite all these efforts, the latest appreciation of the yen is adding to Japanese carmakers' difficulties. The Japan Automobile Manufacturers' Association said the high yen had pushed the economy into crisis. It said the strong yen would affect employment levels and urged the government to co-ordinate an international response.

The industry also faces a growing challenge from imported vehicles, which last year increased their market share to 4.6 per cent, up 50 per cent on the year before. Foreign manufacturers are likely to make greater inroads after the conclusion of the trade talks between Japan and the US on opening the Japanese market for vehicles and parts.

The increase in domestic sales forecast for the next few years is not expected to continue indefinitely. With the population growing more slowly and getting older, it is likely that market growth in Japan will stabilise at a moderate level, says Mr Yutaka Kume, chairman of Nissan.

To regain competitiveness and ease dependence on the domestic market, Japanese carmakers are speeding up their move to produce a greater proportion of their cars overseas.

"We will meet the growth in our global sales through growth in production outside Japan," says Mr Tatsuro Toyoda, president of Toyota. The company is aiming to increase worldwide sales of cars and trucks to 6m a year by the end of the decade from 4.56m last year – with most of the increase expected to come from overseas markets.

From Europe to the US and Asia, Japanese carmakers are aggressively expanding their operations. In Europe, Mitsubishi has become the latest to set up a production facility, in a joint venture with Volvo in the Netherlands. Across the Pacific, Toyota is raising car production in the US by almost 50 per cent next year to 790,000 units a year. Honda is building a plant in Mexico and increasing production capacity at its North American facility by 18 per cent to 720,000 units by 1997. And in Asia, Honda is building a car assembly plant in Thailand, and has agreed a joint venture to produce car parts in China.

However, shifting production overseas is exposing the overcapacity of the domestic industry, which is already weighing heavily on profitability. As Japanese carmakers' overseas production has risen from roughly 3.1m units in 1990 to more than 4.4m units last year, production of cars in Japan has fallen from 13.5m units in 1990 to 10.5m last year, according to the Japan Automobile Manufacturers Association.

This has left the carmakers with excess capacity – Toyota, for example, used only 79 per cent of its domestic capacity last year. But cutting out this excess capacity is difficult for the Japanese car companies, which shy away from the embarrassment and social difficulty of large-scale closures of plant.

As a result, Nissan which closed its Zama factory outside Tokyo this year, has had to find jobs at other facilities for its 2,500 manufacturing staff who were affected. "If it were not for the problem of people, I would close factories one after another," Nissan's Mr Tsuji said recently.

The yen's latest and most stunning rise may give Japanese car makers just the excuse they need to take the kind of drastic restructuring measures such as factory closures and even job cuts that they have vigorously resisted so far. The yen's unbearably high level will force Japanese companies to become more ruthless in dealing with their employees.

Companies are increasingly using risk management techniques to cut costs, says Ralph Atkins

It's a risky business

The company secretary at a medium-sized road haulier was aghast at the increase in the group's insurance premiums. For some time the group had paid a broker commission to arrange comprehensive cover.

But the broker had not mentioned that the group's bill could be reduced by the elementary step of training its drivers. A few months later, it was not just the haulier's insurance premiums that had fallen. Fuel bills were down and the group expected a substantial reduction in its maintenance fees as a result of higher driving standards.

By taking a broader perspective of the way its business worked, the haulier had cut overall expenses and reduced the risk of causing death and injury – a reminder that "risk management" is applicable to all companies, not just those involved in financial markets.

A growing number of professionals are offering risk management services, identifying possible costs to which companies may be unnecessarily exposed and making proposals for reducing those risks or insuring against them.

They include brokers who are turning increasingly to risk management services to boost income in a competitive environment. Insurance companies and accountancy firms are also extending their services into risk management; and a large number of consultancies offers specialist advice on subjects such as executives' security or actuarial assessments of appropriate policy excesses. "We're all getting into each other's pants," says one insurance executive.

Mr Paul Reyniers of Coopers & Lybrand International, the accountants, says large or complex corporations need the services of an organisation with broad international experience. He sees risk management as a growth area for Coopers. "We believe it will become the focus of top management in the next three to five years."

But brokers almost certainly account for the largest chunk of the risk management market. Their strength, according to Mr Michael Cooper-Mitchell, chairman of Sedgwick UK, part of the international broking group, is that "we can work with a client on overall risk advice, taking a broad business profile".

Brokers can arrange insurance cover as well as identify risks, offer advice in specialist fields and suggest control systems. They charge fees, rather than commissions, for an overall service to make their advice impartial – emphasising their lower charges in comparison with the expense of employing large accountancy firms.

Professionals can identify possible costs to which companies may be unnecessarily exposed

"One of the difficulties we face is that the accountants have always had a board level commitment to their use," says one broking executive. "They are used to dealing with the finance directors of public limited companies. We believe their fee levels have been kept high because of that relationship."

Mr Cooper-Mitchell describes as 10 years out of date the debate over whether an insurance broker has a conflict of interest when also offering risk management services. An increasingly large proportion of Sedgwick's business is on a fee basis, he says. "If we tried to oversell to a client, we would be picked up by Alexander & Alexander or Marsh & McLennan [rival brokers] within six months. We position ourselves as a professional adviser."

But while brokers dominate the market, insurance companies are also offering risk management advice. Sun Alliance, the UK composite insurer, has "unbundled" some of its long-standing expertise in risk management – for instance, in occupational health and safety or data security. Hazard Management has been set up as an independent company with Sun Alliance to offer risk management on a fee-basis.

Mr Tony Latham, managing director of general insurances at Sun Alliance, says: "We don't seek to provide a total risk management answer or solution to industry and commerce. But there are components of the process where we believe we have a huge amount to offer."

But many companies may be able to do the work themselves, says Mrs Liz Taylor, group risk manager at conglomerate Harrisons & Crosfield and a former chairman of the Association of Insurance and Risk Managers (Airmic), the UK organisation that represents insurance and risk management professionals. She recommends a "strategic risk analysis" which might cover health and safety, how a company would cope if a disaster occurred, and the extent to which preventive maintenance could avoid costly machine breakdowns.

"I don't think there is anyone who can do that better than the company itself. [An outside consultant] will cost a lot of money and take a lot of time to tell you what you already know," she says.

Mrs Taylor advises companies confused about buying in risk management services to look first at how the service supplier will be remunerated – and beware of those offering apparently attractive deals intended to lure a company into buying other services.

OBSERVER

All going pear-shaped?

■ Looks as if Edouard Balladur, the French prime minister, will try almost anything as he struggles to narrow the gap with his presidential rivals.

Desperately trying to get through to the second round in the elections that kick off this weekend, Balladur has attacked the elite. He has called for more rights for women. He has offered hand-outs to first time house-buyers. None of them the most natural sort of Balladurian cause. So what ever are the pundits to make of the appearance of vegetables at this late juncture in the campaign?

Jacques Chirac, the front runner in the polls, struck up an alliance early on with the apple. There was never a decent explanation for the choice, but it was all such a wild success that he has been handing out specimens by the thousand at his rallies – no doubt doing himself no harm with the farming lobby in the process.

Hence the potentially crucial significance of packs of a certain product of the soil being distributed to all-comers at the entrance to one of Balladur's recent mass gatherings in Lille. But this was, as the French are so fond of saying, even more "bizarre".

So was this troika of endives a symbol of "la France profonde" – the "real" France outside Paris – perchance? Was it merely a thoughtful contribution to the morrow's pot au feu? No, officials insisted, this was just a group of farmers seizing on a big gathering to publicise a veg known, somewhat unaccountably in Observer's view, as "the pearl of the north".

Motta's motto

■ Is Sérgio Motta, Brazil's communications minister, in danger of interpreting his job title a bit too literally? In a session with several congressmen, he started lashing out at ministerial colleagues, censuring one for a "lack of aggression" and another for a "lack of daring".

Motta, a close friend of President Fernando Henrique Cardoso who is known for his plain speaking, went on to criticise Brazil's record on social reforms. "Our political inability to do things may be killing people," he informed his audience.

President Cardoso, on a visit to the US, refused to believe the statements attributed to his minister. Luckily, Motta took the hint. He now denies saying anything of the kind – rather to the surprise of the congressmen who had been sitting beside him when the remarks were made.

Island in de sun

■ A rude interruption to the languid lapping of the turquoise sea. Surely not the opening shots of colonial warfare in the British dependent territory of Anguilla?

Well, the locally elected chief minister of the eastern Caribbean island has certainly been engaging in a full and frank exchange of views with the governor, who is of course a British appointee.

"I do not know who is running this place, and I do not even have a say in the running of the civil service," chief minister Hubert Hughes laments. Two governments cannot coexist, he says, a little fact he vows to bring to the notice of the British government.

Governor Allan Shave's rejoinder? He acts only in consultation with the local administration, and his office has limited powers "for the management of the civil service, the police, the offshore finance sector, external relations and defence." Which doesn't leave much, the Hughes camp points out. But the chief minister seeks a dramatic solution for what he calls "this type of enslavement": Political independence for the island's 9,500 strong population.

Watch out Westminster. Only the BVIs, the Caymans and the Turks and Caicos islands to go.

Heady issue

■ The all-party parliamentary beer club sounds like the kind of body that organises after-hours drinking sessions at the Palace of Westminster. In fact, it is a reputable – if informal – parliamentary institution which maintains strong links between MPs and the brewing industry.

Serious issues are discussed. And to prove the point the club is setting up its own inquiry into cross-channel beer smuggling – which, since the relaxation of EU duty regulations, is costing the government and the UK brewing industry upwards of £1bn a year.

The investigation is to be run on the same terms as a Commons select committee. Witnesses will be summoned to club sessions at Westminster. The only difference is that the clerks and officials will be paid for by the brewing companies.

The official line is that there is little that Kenneth Clarke, the chancellor of the exchequer, can do. But the club lives in hope. It recently voted Clarke "Beer Drinker of the Year."

Tunnel vision

■ Eurotunnel digs itself in deeper every day. Last week, co-chairman Sir Alastair Morton issued a statement that the company was "at risk", but insisted later that "we are not going bust". Now Georges-Christian Chazot, the company's chief executive, is claiming that the 4,483 vehicles that went through the tunnel on Easter Monday was a new milestone. "Records are of course very encouraging," he trumpets. But the tunnel was not open last Easter…

The Financial Times

100 years ago

The Local Veto Bill
The Licensed Victuallers, always a good fighting body, are rousing themselves for the fray over the Local Veto Bill. We learn with dismay from this excellent authority that "the publican, beerseller, grocer and every class of trader holding a Justice's licence are all alike threatened with annihilation." We had a poor opinion of the Local Veto Bill before, but we did not know it was quite so bad as that.

50 years ago

Industry in Egypt
Certain industries in Egypt have accumulated considerable financial reserves with a view to pursuing their activities after the war with renewed equipment. Industrial circles are accordingly already preoccupied with the possible effects of an eventual lowering of Customs duties throughout the world. Yet it is difficult to see to what extent this tendency will materialise in view of the complexity of the problems of every kind that it involves in each country.

FINANCIAL TIMES
Thursday April 20 1995

Government is looking at resolving safety issues

UK closer to privatising nuclear power industry

By Robert Peston, in London

The £2bn ($3.2bn) privatisation of the UK's nuclear power industry moved closer yesterday, after a cabinet committee decided to press ahead with preparations for a sell-off during the lifetime of this parliament.

An official said: "The mood of the government has moved strongly in favour of privatisation."

However, he added that Mr John Major, the UK prime minister, who is not a member of the cabinet committee, wants the privatisation to proceed, so long as a series of technical safety issues can be resolved.

Mr Kenneth Clarke, the chancellor, is the leading proponent of selling Nuclear Electric and Scottish Nuclear, the two nuclear generating companies.

The proceeds, estimated at more than £2bn, would help him deliver tax cuts before the next general election.

However, Mr Michael Heseltine, trade and industry secretary, who includes energy among his responsibilities, has been adopting a more cautious approach.

According to officials, the Treasury won the upper hand at yesterday's meeting of the cabinet committee on industrial, commercial and consumer affairs, which lasted more than an hour.

A decision on whether to press ahead must await a meeting of the full cabinet.

Advice that privatisation is feasible has been given to the government by Barclays de Zoete Wedd, the investment bank, and KPMG, the accountancy firm.

Privatisation would probably involve the flotation of Nuclear Electric. Scottish Nuclear, which is much smaller, could be disposed of in a trade sale.

The department of trade and industry has been reluctant to move swiftly on privatisation because some of its officials remember the embarrassment caused to the government in the late 1980s when initial plans to privatise the industry had to be abandoned.

At that time, there were concerns being voiced by the City of London about future costs which would be incurred with decommissioning old plant.

The government has since made provisions to cover such costs. However, concerns remain in the DTI that the government must be able to demonstrate that the safety of nuclear plants will not be jeopardised by privatisation.

Mr John Gummer, environment secretary, is believed to be particularly anxious about safety considerations, according to officials.

By contrast, the Treasury believes that nuclear safety would be improved by privatisation, because the privatised companies would attract better-quality staff.

A formal decision on the sale must be taken by the full cabinet before the end of June, if privatisation is to be undertaken in the two years remaining in the lifetime of this parliament.

Although primary legislation is not required, considerable financial preparations are necessary if it is to take place before the next general election, which must be held by mid-1997.

Juppé blames Balladur for franc instability

By John Ridding in Paris

Mr Alain Juppé, French foreign minister, yesterday launched a sharp attack on the campaign tactics of Mr Edouard Balladur, the prime minister, fuelling a dispute over the franc and the role of the Bank of France three days before the first round of the presidential election.

A close ally of Mr Jacques Chirac, the Gaullist front-runner in the contest to succeed President François Mitterrand, Mr Juppé accused the prime minister of giving an "almost hateful twist" to the campaign.

He charged Mr Balladur with distorting Mr Chirac's comments on wage demands and economic policy and of making the stability of the French franc an election issue. "When one is a statesman one does not put the currency at the centre of debate," Mr Juppé told France Inter radio.

The franc has fallen steadily against the D-Mark this week following Mr Chirac's criticism of remarks by Mr Jean-Claude Trichet, governor of the central bank. Responding to Mr Trichet's emphasis on wage restraint in last week's annual Bank of France report, Mr Chirac said the governor had no right to dictate economic policy.

The issue is particularly sensitive because Mr Chirac has been generally supportive of wage increases to help strengthen consumption and to spread the benefits of economic recovery. He has also expressed sympathy for a series of industrial disputes over the past few weeks.

Mr Balladur, who appears to face a tough task beating Mr Lionel Jospin, the Socialist candidate, in Sunday's first round of voting, has sought to capitalise on the issue. A firm advocate of a strong franc, he defended the bank and accused Mr Chirac of threatening the currency's stability.

Mr Chirac rejects such accusations, describing himself yesterday as "a partisan of the *franc fort*". Mr Juppé defended the independence of the Bank of France, but added that "everyone should remain in their place". He blamed the fall of the franc on international currency turbulence linked to dollar weakness. Yesterday, however, traders blamed the French political dispute for the franc's tumble to FFr3.548 to the D-Mark, compared with 3.522 late on Tuesday.

Economists said they expected further franc volatility during the election period. "The franc has become an issue and there is some concern about Mr Chirac's stance," said one currency economist. "But this is mainly political manoeuvring and Mr Chirac is aware that he needs the confidence of the market."

Gloves off in French campaign, Page 2; Observer, Page 15

THE LEX COLUMN

USAir rides the storm

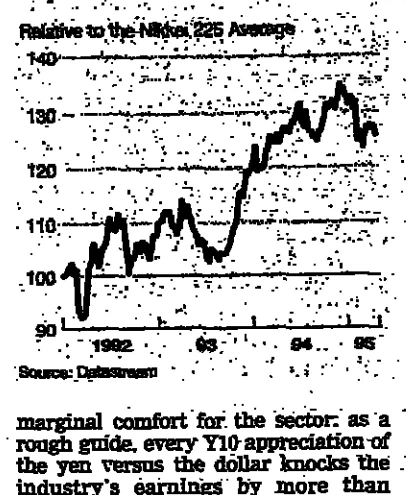
British Airways' stalwart refusal to write off its stake in USAir is justified by the US airline's improved first-quarter results yesterday. Its cash position of $400m at the end of the quarter is twice as large as initial projections had indicated. And the company's prediction that it will end the year with even more cash puts paid to talk of a Chapter 11 filing this year. Earnings show an upward trend, culminating with a swing into profit in March, and "encouraging" advance bookings bode well. The picture is certainly rosier than last week's auditors' assessment, which cast doubt on USAir's ability to continue as a going concern, based on the company's position at the end of 1994. Its long-term future still depends on saving $500m in labour costs, but a tentative agreement with its pilots union reflects slow but steady progress.

The US airline industry has been notoriously late in benefiting from economic recovery, due to aggressive price-cutting. But competition may be easing. Continental Airlines has recently axed its Continental Lite shuttle service, and Southwest Airlines, which helped launch low-cost travel, has had to scale back its ambitions to expand into USAir's north-eastern patch. Smaller airlines, although still a threat on selected routes, cannot go head-to-head with USAir region-wide.

BA's $400m investment may finally be coming right, despite USAir's suspension of preference dividend payments. With a $100m-a-year benefit to its bottom line and an entrée into the US market, BA's international strategy appears intact, if not unscathed.

FT-SE Eurotrack 200: 1363.0 (-4.3)

Japanese motor sector



Source: Datastream

Japanese cars

Japanese car manufacturers pressed the panic button yesterday: their call on the government for measures to combat the soaring yen, coupled with the admission that the industry is already in crisis, smacks of desperation. Understandably so: having struggled valiantly to cut costs during the past few years of recession, the big manufacturers now see their efforts hobbled by the latest appreciation of the currency. The yen is up 24 per cent against the dollar this year alone, and nearly 40 per cent since the beginning of last year, more than wiping out the benefits of substantial productivity improvements.

The recent revitalisation of the domestic car market will provide only marginal comfort for the sector: as a rough guide, every Y10 appreciation of the yen versus the dollar knocks the industry's earnings by more than $2bn. The companies have little choice about how to respond: they will have to step up the process of shifting manufacturing out of Japan, and intensify the search for efficiency gains. But this is a long-term solution which cannot hope to keep step with the swift movements in currency markets. Short of some dramatic reversal in the yen's fortune's, there is little doubt that the industry is suffering a fundamental loss of competitiveness.

The return to profits enjoyed by Japanese companies is likely to prove short-lived. Equally, the strong outperformance of automotive shares since 1993 – predicated on earnings recovery – is set to be reversed.

Sterling

As sterling crises go, yesterday's was devoid of fanfare. The currency slumped to a new all-time low both against the D-Mark and on a trade-weighted basis, and yet financial markets remained calm. This is probably because sterling is holding its own against the dollar, and its problems are seen as less of its own making than a by-product of dollar weakness against the yen, and D-Mark strength. But there should be no under-estimating the implications for UK monetary policy of sterling's weakness

Minutes of the March 8 monetary meeting serve as a timely reminder that currency depreciation is likely to fuel imported inflation. Since that meeting, the currency is down by nearly 3 per cent on a trade-weighted basis. As a result the likelihood of an interest rate rise next month has increased markedly. Indeed, the Bank of England will need to raise rates if it is to preserve what little credibility it has won for itself for acting pre-emptively during the current economic cycle. This will pitch the bank into conflict with the government, which will be reluctant to see rate rises while consumer spending remains depressed and its own popularity is low. So the next rate move becomes a serious test of the Bank's mettle.

Financial markets are likely to react badly to a rate rise – especially the gilt market which has been robust in the face of a weakening currency. But investors should appreciate an early tightening of policy insofar as it averts the risk of an inflationary boom.

Jefferson Smurfit

International investors should find Jefferson Smurfit attractive. After all, it is one of only a few truly global paper companies. Instead investors have shunned the stock. Their indifference is not caused by its nationality: CRH, the building materials group, has admirably demonstrated how Irish companies can raise their overseas profile.

Smurfit should not entirely shoulder the blame for its lack of international following. The company is an oddity: no other European paper stock has such extensive exposure to exotic markets such as Latin America; and few are as heavily dependent on niches like containerboard. True, Smurfit has had a reputation for generating earnings in a less than transparent manner, but the recent flotation of its North American associate has removed much of the opacity. One way of raising Smurfit's profile would have been entry into the FT-SE 100 index. However, the Irish company was clearly right in refusing to meet requirements that it transfer its domicile to the UK.

Nonetheless, Smurfit has not always helped itself. The group has done little to reduce family members' dominance of upper management echelons. Price-sensitive news has also had an unfortunate habit of appearing in Dublin before other markets. But the promise of an ADR programme and greater emphasis on investor relations augurs well: Smurfit has an interesting tale to tell.

Additional Lex comment on General Cable, Page 22

Warning over D-Mark

Continued from Page 1

forecast that it would break even this year was based on the assumption that the dollar would be worth DM1.60. He said if the dollar did not return to this level, Dasa's losses in 1995 would again run to "hundreds of millions of marks". The D-Mark closed at DM1.3542 to the dollar in London.

Mr Schrempp said Dasa was investigating the possibility of implementing extra cost-cutting measures and concluding more of its contracts with suppliers in dollars as a short-term measure.

In the medium- and long-term, the only solution would be to move manufacturing to countries with dollar-linked currencies or ones with weak currencies.

Oklahoma

Continued from Page 1

rorist groups. The bombing occurred two years to the day after the fiery end to the siege of Mr David Koresh's Branch Davidian cult in Waco, Texas, in which at least 75 people died. ATF officials refused to speculate on a link.

However, CNN reported yesterday that government agencies had stepped up security in Washington and in other federal buildings recently in response to unspecified developments in the Middle East. One government building in Boston was evacuated yesterday after a bomb alert.

The White House said President Bill Clinton was "very troubled" by news of the blast.

EU bends aid rules for Italy to set up Trieste tax haven

By Emma Tucker in Brussels and Andrew Hill in Milan

The European Commission has bent its own rules on state aid in order to persuade Italy to lift a longstanding veto on closer ties between the European Union and Slovenia.

A decision to allow the Italian government to establish a financial centre offering tax breaks in Trieste, in the north-east, according to one official, "breaks every rule on state aid in the book" and is likely to spark criticism from member states which object to tax havens within the EU.

The Trieste centre will grant banks, insurance companies and financial intermediaries generous tax breaks for business carried out in the former communist countries of eastern Europe.

However, the trade-off is an important breakthrough in EU efforts to negotiate an association accord with Slovenia, which has been blocked by Italy because of a dispute over Italian property rights in the neighbouring country.

An association agreement would give Slovenia the same status with the EU as other east European countries such as Poland and Hungary and carry the prospect of eventual membership.

According to an Italian official in Brussels, banks, insurance companies and financial intermediaries established in Trieste will pay only 8 per cent tax on profits earned through business with the former communist countries of eastern Europe, rather than the normal 56 per cent. Trieste will have this privilege for five years.

Some EU member states, notably Scandinavian countries and Germany, oppose establishing such centres as they distort competition and attract investment away from countries where taxes on savings are relatively high.

Yesterday, a Commission official said: "There is enormous sensitivity about financial service centres because member states which have big financial centres are afraid that tax breaks and other incentives will take business away."

The project to create a special centre in Trieste was first suggested in 1990 and was approved by the Commission just before Easter.

Italy believes the centre will revitalise the depressed region around Trieste and also help defuse sensitivity over the question of Italian property rights in Slovenia, an issue around which Italy's far-right National Alliance party has rallied. The problem stems from a dispute over the ownership of properties on the Istrian peninsula, a region now divided between Slovenia and Croatia – formerly parts of Yugoslavia – but under Italian control before the second world war.

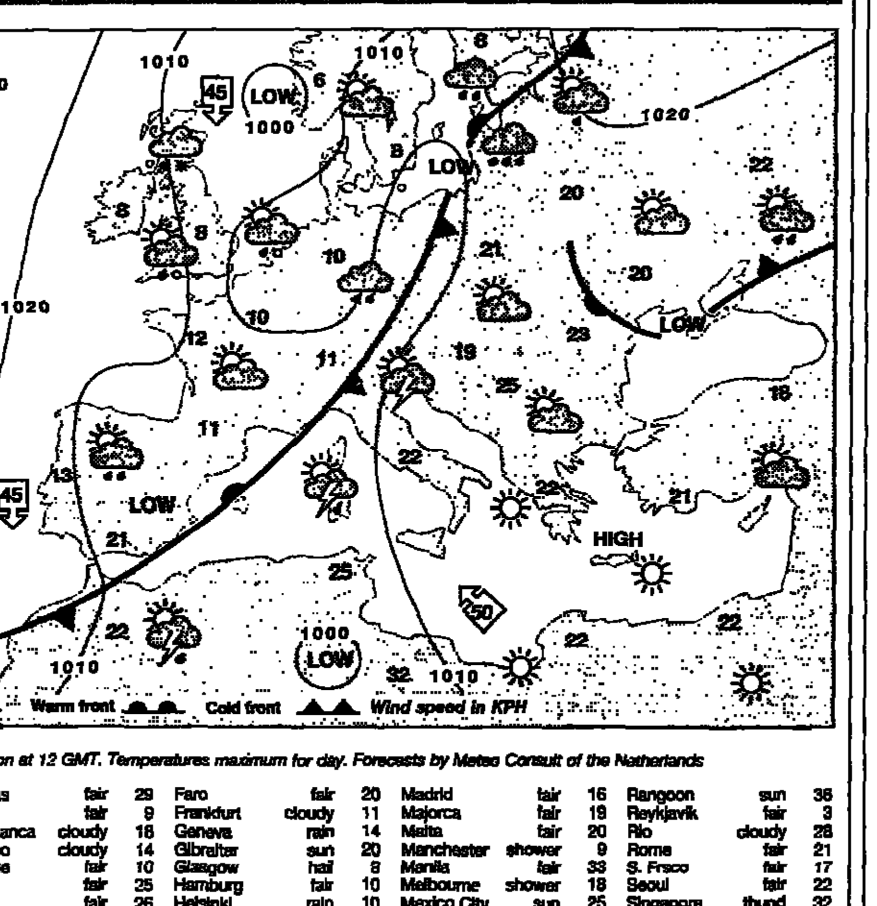
FT WEATHER GUIDE

Europe today

A north to north-westerly airflow will continue to cause unseasonably cool conditions throughout western Europe. Bright sunny spells will be mixed with brief but intense showers which may produce hail or thunder. Most of eastern Europe will be fair and warm with some temperatures exceeding 20C. The boundary between cold air in the west and the warm air in the east will be marked by overcast skies with rain over northern Italy, the Alps, eastern Germany and Finland. Prolonged heavy rain may cause flooding, especially in the southern Alps.

Five-day forecast

The warm air in eastern Europe will spread west, reaching the Benelux and most of the British Isles by Saturday or Sunday. A complex area of low pressure accompanied by rain and some thunder storms over Spain and France will move slowly north. The thunderstorms may reach the southern parts of the Benelux countries and the British Isles. Eastern Europe will stay very warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	37
Accra	fair	33
Algiers	fair	22
Amsterdam	hail	10
Athens	sun	21
Atlanta	fair	29
B. Aires	fair	16
B.ham	fair	8
Bangkok	sun	36
Barcelona	shower	15
Beijing	sun	26
Belfast	shower	8
Belgrade	fair	24
Berlin	rain	12
Bermuda	rain	21
Bogota	shower	18
Bombay	sun	33
Brussels	shower	10
Budapest	fair	22
C.hagen	hail	8
Cairo	sun	23
Cape Town	shower	18
Caracas	fair	29
Cardiff	fair	9
Casablanca	cloudy	18
Chicago	cloudy	14
Cologne	fair	10
Dakar	fair	25
Dallas	fair	26
Delhi	sun	34
Dubai	sun	35
Dublin	hail	8
Dubrovnik	fair	20
Edinburgh	shower	9
Faro	fair	20
Frankfurt	cloudy	11
Geneva	rain	14
Gibraltar	sun	20
Glasgow	hail	8
Hamburg	fair	10
Helsinki	rain	10
Hong Kong	fair	27
Honolulu	fair	29
Istanbul	fair	19
Jakarta	shower	32
Jersey	fair	10
Karachi	sun	36
Kuwait	fair	30
L. Angeles	fair	22
Las Palmas	shower	21
Lima	cloudy	24
Lisbon	fair	14
London	fair	10
Lux.bourg	shower	8
Lyon	rain	13
Madeira	shower	18
Madrid	fair	16
Majorca	fair	19
Malta	fair	20
Manchester	shower	9
Manila	fair	33
Melbourne	shower	18
Mexico City	sun	25
Miami	fair	31
Milan	rain	16
Montreal	sun	9
Moscow	fair	23
Munich	rain	13
Nairobi	shower	27
Naples	fair	21
Nassau	fair	30
New York	fair	19
Nice	shower	17
Nicosia	fair	20
Oslo	shower	8
Paris	shower	11
Perth	sun	25
Prague	rain	15
Rangoon	sun	36
Reykjavik	fair	3
Rio	cloudy	28
Rome	fair	21
S. Frsco	fair	17
Seoul	fair	22
Singapore	thund	32
Stockholm	shower	8
Strasbourg	shower	10
Sydney	fair	22
Tangier	fair	17
Tel Aviv	fair	21
Tokyo	sun	18
Toronto	fair	14
Vancouver	cloudy	10
Venice	rain	18
Vienna	fair	21
Warsaw	fair	22
Washington	fair	23
Wellington	fair	20
Winnipeg	fair	14
Zurich	rain	9

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 20 1995

IN BRIEF

Coca-Cola lifted by overseas sales

Continuing strong growth in its overseas markets helped Coca-Cola, the US soft drinks company, produce a better-than-expected gain of 22 per cent in first-quarter net earnings, the latest in a long series of big profit rises. Page 19

Digital beats forecasts with $74m
Digital Equipment reported higher than expected earnings for its third quarter, with sales growth driven by strong demand for its Alpha workstations and servers and a jump in personal computer sales. Page 19

AT&T market share drive falters
The recent successes of AT&T, the US's biggest long-distance telephone company, in clawing back market share from MCI stalled early this year, according to first-quarter figures released by both companies. Page 21

General Electric set for record year
Highest ever first-quarter earnings from General Electric, the US conglomerate, meant the group was "positioned to deliver record results in 1995", according to Mr John Welch, chairman. Page 19

US defence groups beat spending cuts
Stable or improved operating earnings at three US defence companies demonstrated their ability to counter lower military spending with diversification and cost cutting. McDonnell Douglas and Rockwell International, reported increased operating earnings, while General Dynamics, reported first-quarter operating earnings just below last year's results. Page 21

Spain poised to sell half Telefónica stake
The Spanish government is preparing to sell almost half its 32 per cent share in Telefónica, the telecommunications group, by June for an estimated Pta225bn ($1.8bn). Page 18

USAir net loss halved in first quarter
USAir, the struggling US airline in which British Airways holds a minority stake, showed signs of recovery from its deep financial troubles reporting a sharp cut in losses for the first quarter to March. Page 18

Air France reduces deficit
Air France, the state-owned French flag-carrier, announced a sharp fall in losses for 1994, reporting a net deficit of FFr2.86bn ($490.1m) compared with one of FFr8.48bn in 1993. Page 18

Jefferson Smurfit profits rise 39%
Rising paper and pulp prices helped Jefferson Smurfit, the Dublin-based paper and packaging group, lift pre-tax profits on continuing operations 39 per cent. Page 22

Hillsdown sells Maple Leaf stake
Hillsdown Holdings, one of the largest UK food processors, has sold its 56 per cent stake in Maple Leaf Foods of Canada for a minimum of C$623m (US$458m) to the Wallace McCain family and the Ontario Teachers' Pension Plan Board. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Leifheit	655	+	10
Falls			
AG Ind Verk	454	–	7
BMW	697	–	10
Hochtief	755	–	20
MAN Pref	254.5	–	6.5
SAP AG	1250	–	46
NEW YORK ($)			
Rises			
Eman Kodak	55½	+	3
Falls			
Apple	35⅞	–	1⅞
Bay Networks	33¾	–	3⅜
Humana	20¾	–	3⅜
Intel	92⅞	–	2⅛
Utd Hlthcare	39	–	4½
LONDON (Pence)			
Rises			
Copymore	160	+	10
Toye	115	+	10
Falls			
Barclays	634	–	15
Comm Union	551	–	17
Hwd Whiting	165	–	14
Oriel Grp	94	–	10
TORONTO (C$)			
Rises			
Chieftain	17¾	+	⅜
Cognos Inc	29¾	+	2⅜
Crown Res	7⅞	+	⅜
Falls			
Canwest Glob	20	–	¾
Inco Ltd	36¼	–	1⅞
MNT Ltd	13¾	–	⅜

PARIS (FFr)			
Rises			
Accor	555	+	15
Bouygues	574	+	17
Cred Foncier	621	+	16
Essilor Int	859	+	21
SILIC	689	+	19
Falls			
Immobanque	782	–	18
TOKYO (Yen)			
Rises			
Dai Nip Phrm	930	+	27
Japan Wool	919	+	36
Nip Suisan	443	+	19
Sanrio	1040	+	63
Falls			
Nip Glass	451	–	13
Yamato Kogyo	839	–	22
HONG KONG (HK$)			
Rises			
MB Gold CW95	0.70	+	0.09
R Flem W96	1.65	+	0.23
Vanda Sys	1.2	+	0.06
Falls			
HK & S Htls	9.3	–	0.2
Hasco	20.9	–	0.25
New Wrld W95	5.4	–	0.5
BANGKOK (Baht)			
Rises			
CPL Group	26.75	+	2.25
Karat Sank	101.0	+	7.50
Mandarin Htl	21.0	+	1.25
Falls			
Dhan Siam W	112.0	–	16.0
Fst Asia Sec	79.5	–	8.0
Pacific Ins	87.0	–	7.0

New York and Toronto prices at 12.30pm.

US newspapers link for the Internet

Groups form venture to tap electronic publishing with network of close to 185 local online titles

By Louise Kehoe in New York

Eight of the largest US newspaper groups have formed a joint venture to create a national network of local online newspapers to be distributed via the Internet, the global computer network.

The move signals a rapid expansion in electronic publishing, as newspapers and magazines take advantage of the growing use of personal computers to gain access to information. Already, nearly 200 newspapers and magazines have a presence on the Internet and some offer sophisticated news services.

The new joint venture company, New Century Network, is jointly owned by Advance Publications, Cox Newspapers, Gannet, The Hearst Corporation, Knight-Ridder, Times Mirror, Tribune, and the Washington Post. Together these companies own 185 US newspapers with a total Sunday circulation of more than 23m.

The companies said they planned to put all but the smallest of their newspapers online within the next three years.

"This action underlines the reality that newspapers intend to be serious online players," said Mr Robert Erburu, president and chief executive of Times Mirror. "By developing local online services and linking them through NCN, newspapers will reach a broad national audience. They will also be more attractive partners to technology companies and other online publishers."

Many newspapers owned by the founding companies have already created online services through commercial systems such as Prodigy, CompuServe and America Online, as well as the Internet.

However, "connectivity and standards are the elements that have been missing", said Mr Donald Newhouse, president of Advance Publications. "New Century Network provides the solution."

It will help members develop and share content, technical standards and consulting services, and create billing and tracking services.

The joint venture aims to help newspapers of all sizes provide interactive online services, the companies said. The network, which will be linked to the World Wide Web, a fast growing segment of the Internet, will be open to all US newspapers.

NCN will be geared to regional markets, with community guides and information on local entertainment and events as well as home shopping. There will also be bulletin boards and electronic mail.

Merrill man joins Deutsche Bank joint venture

By John Gapper, Banking Editor

Deutsche Bank and its UK subsidiary Morgan Grenfell have made another high profile recruitment in their effort to build a joint investment bank by hiring Mr Edson Mitchell, co-head of fixed income at the US firm Merrill Lynch.

Mr Mitchell, 41, is appointed worldwide head of Deutsche Bank's global markets. It comprises foreign exchange, money markets, fixed income, and over-the-counter derivatives, and employs more than 1,500 people.

His move follows a Merrill reorganisation in which Mr Herb Allison was named overall head of investment banking, and debt and equity markets. He is thought to have approached Deutsche Bank rather than being head-hunted.

The recruitment is further evidence that Deutsche and Morgan Grenfell intend to build a London-based investment banking operation through recruitment, rather than by acquisition.

Mr Michael Dobson, chief executive of Morgan Grenfell, and chairman of Deutsche and Morgan Grenfell's joint investment banking management committee, said Mr Edson was a "highly respected guy right at the top of the firm. This shows that people in the market recognise we have a game plan here, and it is an attractive place to come and work."

Mr Mitchell, who will join Deutsche Bank from May 1, will be a member of the management committee. He is also likely to sit on the joint investment banking board.

The global markets division will be headquartered in London as part of the new investment bank. But the D-Mark fixed income, foreign exchange and derivatives activities will stay in Frankfurt.

Mr Daniel Tully, Merrill Lynch's chairman, and Mr David Komansky, its president, said in a joint statement with Mr Allison that Mr Mitchell had been "a significant contributor" to the development of its capital markets business.

The most significant recruitment by Morgan Grenfell so far was the hiring of Mr Maurice Thompson and Mr Michael Cohrs from S.G Warburg, the UK investment bank, to head the new operation's syndication of equity issues.

Kodak advances to beat forecasts

By Maggie Urry in New York

Eastman Kodak, the photography and imaging group, yesterday announced strong growth in first-quarter earnings which beat analysts' forecasts and pushed its share price higher.

Mr George Fisher, the chief executive who joined the group in 1993 and has been shaking up the business, said the results showed that "the strategies we have put in place to improve operational effectiveness and grow the business are beginning to show positive results for shareholders".

Net income in the quarter was $262m, against $82m including one-off charges totalling $63m. Earnings per share were 77 cents, up from 25 cents after 19 cents of one-time items. The shares rose $2¾ to $55¼ in morning trading.

Kodak's results indicate the gains US multinational companies are making from the fall in the currency. Some 55 per cent of its revenues arise outside the US and the net effect of the weak dollar was to add 12 cents to earnings per share in the quarter.

Group revenues rose 14 per cent to $3.14bn. Of the increase, 5 percentage points reflected Kodak's purchase of the other half of Qualex, its wholesale photofinishing joint venture, in the third quarter last year. The other 9 percentage points came from volume growth and favourable currency movements.

Operating profit margins rose from 11.9 per cent to 13.3 per cent, as these profits increased 27 per cent to $416m, reflecting better cost management and productivity as well as the volume gains, Mr Fisher said.

The cost of goods sold rose less than 10 per cent, to $1.16bn, while research and development costs rose only 7 per cent to $219m. However sales, general and administrative expenses rose nearly 20 per cent to $895m. A third of that rise came from the Qualex acquisition, Kodak said, and another quarter reflected the translation of non-dollar expenses at the lower exchange rate.

Pre-tax profits, which rose 80 per cent to $415m, were helped by a sharp fall in interest charges from $57m to $19m. The group's sale of businesses outside the photography and imaging areas, such as the Sterling drug subsidiary and the household products side, cut debt from more than $7bn to about $1bn.

The consumer photographic division performed well, with good sales of Kodacolor film and Ektacolor papers. Operating profits rose 48 per cent to $152m.

Robert Corzine examines the pressures pushing the market ahead

Oil price spurts, but is the recent rally for real?

Supply, demand and Saddam are the three factors dominating the world's oil markets.

Oil traders are no strangers to the rollercoaster rides of commodity markets. But more than a few spent an uncomfortable Easter holiday awaiting President Saddam Hussein's verdict on the latest United Nations plan for limited Iraqi oil sales.

An Iraqi acceptance threatened to trigger a collapse in the month-long rally which has taken the price of the benchmark Brent Blend from around $16.50 a barrel to yesterday's $18.45 a barrel for June.

The subsequent rejection by Baghdad has boosted prices, as traders refocused on growing oil demand. It also prompted speculation about whether the removal of the Iraqi factor for the time being will sustain further gains that might herald the end of the protracted period of price weakness that began in September 1993.

There is a widespread belief that short-term prices are likely to stay firm, although some analysts believe the market may have over-reacted to the Iraqi rejection. "There may be 50-75 cents of air in the current price," says Mr Joe Stanislaw of the Paris office of Cambridge Energy Research Associates.

He says the markets became so convinced at the end of last week that Iraq would accept the UN plan that they may have "over-reacted in the other direction".

Some analysts believe growing oil demand will underpin higher prices. The Paris-based International Energy Agency, whose members include the world's main industrialised countries, says global oil demand will rise by 1.1m barrels a day in the second quarter compared with the same period last year. That would take total oil demand to 67.3m b/d.

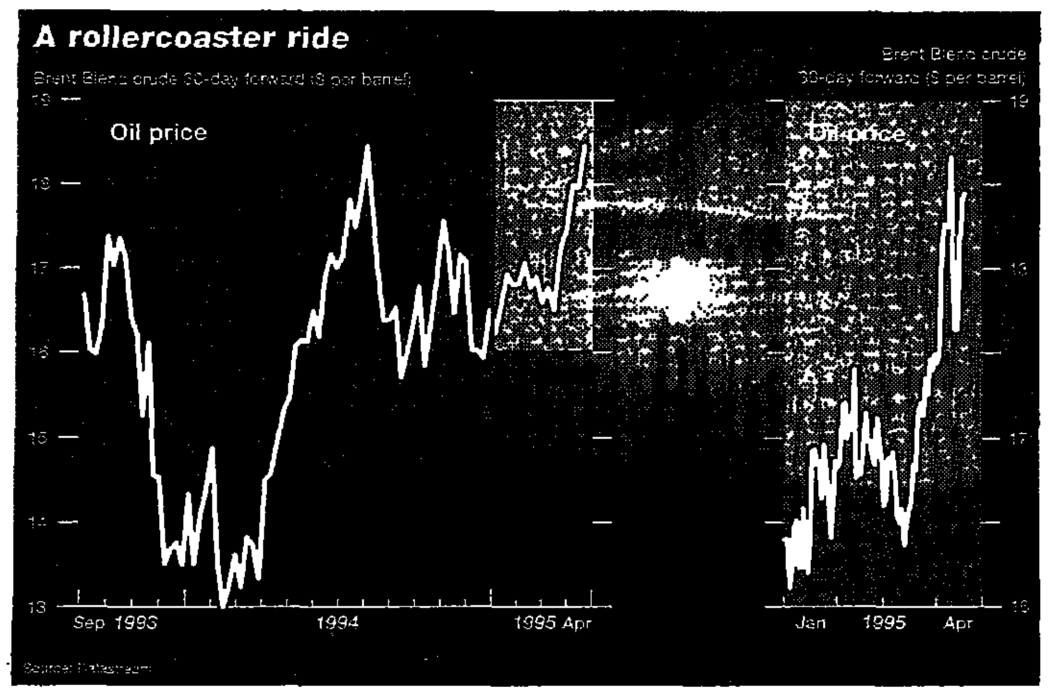
World supply still outstrips demand, according to the IEA, but localised shortages can have an exaggerated effect on prices.

Much of the recent run-up of world prices, for example, can be traced to heavy buying of crude oil by US refiners to meet the strong demand for petrol which usually occurs during the spring and summer.

Those refiners in the Midwest can have an inordinate influence over the market, says Mr Robert Mabro, director of the Oxford Energy Research Institute. He likens the oil market in the American Midwest to "a huge island", with poor access to coastal import terminals. If Midwestern refiners are short of oil, it tends to have a big impact on the price of West Texas Intermediate, the nearest source of supply and the benchmark US crude.

"When WTI goes up, Brent goes up," he says. "Everything moves together."

Figures published yesterday by the American Petroleum Institute show overall US demand remains strong. Total petroleum imports, including crude oil and refined products, rose 1.7 per cent in March compared with the same month last year. But crude oil imports in March were 7.13m b/d, 13.6 per cent up on March 1994.



Demand elsewhere is patchy. Buoyant economic growth in Asia continues to pull in oil imports, mainly from the Middle East. IEA figures show that oil demand grew by an average of 6.8 per cent last year in the Asian region outside China and Japan. That compares with 1.4 per cent forecast for the world as a whole this year.

There is little evidence of growth in Europe, however, in spite of the economic recovery. The IEA recorded a 1.7 per cent fall in oil demand in Europe's four largest oil consuming countries in February.

Sales of petrol in particular have been sluggish, according to industry executives. Mr Bernard de Combret, head of downstream operations at Elf Aquitaine, the largest French oil company, says there was no sign of increased demand in the first few months of the year.

Mr Jonathan Fry, chief executive of Burmah Castrol, notes that petrol sales in the UK last year were the same level as 1993, in spite of 3 per cent growth in British GDP.

In contrast to many analysts and traders, oil companies are reluctant to express optimism about the outlook for higher oil prices. Mr David Simon, chief executive of British Petroleum, last week warned shareholders not to expect any "help from an escalating oil price". But at last week's annual general meeting he indicated that there was some justification for thinking that prices might improve. "Last year the price was on average 8 per cent lower than in 1993, and there are grounds for arguing this decline is unsustainable."

Mr Mabro attributes some of the corporate reluctance to talk about higher prices to the "cost-cutting culture" in some of the largest companies.

Short-term supply constraints, such as the onset of the annual maintenance season for North Sea oil platforms, should underpin prices, say analysts. So too will the continuing production restraint by the members of the Organisation of Petroleum Exporting Countries.

Mr Stanislaw notes, however, that there is no overall shortage of oil, and that plentiful supplies will probably undercut any sustained rise in the oil price.

In addition, Iraq is likely to return as a wild card later in the year. President Saddam may have rejected the UN plan, but the offer, and the consequent market uncertainty, remains open-ended.

General Cable bows to market and cuts offer price of shares

By Raymond Snoddy in London

General Cable yesterday reduced to 190p the offer price of shares in its flotation in London and New York because of market resistance to its proposed price of between 220p and 255p a share.

The action means that the French-owned cable communications group, which is involved in cable franchises involving 1.7m UK homes, will raise around £171m ($273.6m) from the offering, instead of the £198m to £230m it had hoped for. The new price will value the group at around £480m, compared with the £557m-£646m of its proposed price range.

The cut in price was due to poor interest in the issue in the US at the stated range. General Cable is the latest in a line of UK cable companies which have raised money in international equity offerings, or are planning to do so.

The company is offering 40.5m shares in the London market, the same amount in the US and 9m shares in other international markets.

In London, the new price appeared to have generated considerable interest and the UK tranche was believed to have been over-subscribed before the market closed last night.

Investors in New York also appeared more receptive and, barring a last-minute hitch, the shares are expected to begin trading today.

General Cable has always taken the view that it would rather reduce the price than risk the possibility of poor after-market in the shares.

The price cut overhung the cable sector of the London market yesterday. TeleWest Communications, the largest UK cable operator, which floated last November, saw its stock dip 7p to close at 153½p.

According to some market estimates, the new General Cable price represent a significant discount on the price of TeleWest and the recently floated Videotron when the number of homes under franchise are compared.

Nynex CableComms, another of the large UK cable operators, plans to start marketing a public offering in London and New York next month which is designed to raise £400m. Mr Eugene Connell, Nynex CableComms president, did not think the General Cable decision would affect his plans.

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Spain poised to sell half its 32% Telefónica stake

By Tom Burns in Madrid

The Spanish government is preparing to sell almost half its 32 per cent share in Telefónica, the telecommunications group, by June for an estimated Pta225bn ($1.8bn).

Telefónica is likely to announce details of the sale of the 15 per cent stake tomorrow at its annual general meeting. An unspecified portion of the shares will be placed with three core shareholders.

The economy ministry indicated that the government may sell more shares in the group by 1998, when the sector is due to be fully liberalised.

To finalise the disposal, Mr Pedro Solbes, the economy and finance minister whose department owns the 32 per cent holding, yesterday met senior executives of what will be the telecoms company's core group of shareholders following the disposal.

On Wednesday, Mr Solbes discussed the disposal with Mr Cándido Velázquez, Telefónica chairman.

The core shareholder group consists of Banco Bilbao Vizcaya (BBV), the retail bank; La Caixa, the Barcelona-based savings bank; and Argentaria, the banking corporation in which the state owns a 50 per cent stake. The three institutions collectively own about 7.5 per cent of Telefónica, and are expected to raise their joint stake to 10 per cent through the latest disposal.

The decision to offer such a large tranche of state-owned Telefónica stock to the markets in the coming months represents a victory for Mr Solbes over Mr José Borrell, the transport and communications minister, who wanted the state to maintain its control over the group with a minimum stake of 20 per cent. It also indicates that the supporters of privatisation are gaining the upper hand in the Madrid cabinet.

Mr Solbes' privatisation plans were boosted earlier this month by a strong market response to a Pta200bn international placement of shares in Repsol which reduced the government's equity in the energy group from 40 per cent to 21 per cent.

USAir net loss halved to $97m in first quarter

By Richard Tomkins in New York

USAir, the struggling US airline in which British Airways holds a minority stake, yesterday showed signs of recovery from its deep financial troubles by reporting a sharp cut in losses for the first quarter to March.

Revenues rose nearly 5 per cent to $1.8bn, helping cut operating losses to $42m from $140m last time. Net losses were halved, to $96.9m from $196.7m, and losses per share came down to $1.91 from $3.64.

Like other US airlines, USAir is benefiting from a rise in demand for air travel stimulated by growth in the US economy. However, the biggest single factor in the improved performance seems to have been the weather.

In 1993, USAir, which operates mainly on the east coast of the US, was badly hit by unusually severe winter weather, which disrupted flights and discouraged travel. The 1994-95 winter, by contrast, was unusually mild.

Even so, Mr Seth Schofield, chairman and chief executive, said traffic trends were moving upward. "Passenger revenues for March were the highest in the history of the company," he said.

Last week, USAir suffered a setback when it emerged that its auditors had qualified the previous quarter's accounts, saying there was "substantial doubt" about its ability to continue as a going concern.

USAir disputed the assessment, saying its liquidity was adequate. Yesterday, Mr Schofield repeated that the company had ended the first quarter with cash balances of more than $400m, and "barring unforeseen circumstances" expected to end the year with at least that amount.

USAir has benefited from a decision by rival Continental Airlines to cut back on many competing services following the failure of its Continental Lite concept. However, USAir's prospects still depend largely on securing trade union agreement to cost cuts.

Lex, Page 16

Japanese brokers in investor drive

By Gerard Baker in Tokyo

Japan's stockbrokers are to launch a novel scheme designed to lure individual investors back to the country's stock market.

The Japan Securities Dealers Association (JSDA) said yesterday the plan, which has the backing of the country's financial regulators, will allow investors to buy and sell shares on the Tokyo and Osaka stock exchanges with just one-tenth of the funds currently needed.

Daiwa Securities, one of the four leading brokers, will start operating the scheme during the summer. The other leading brokers are expected to follow by the autumn.

Currently, the minimum number of shares that can be bought by investors is around 1,000 for most companies. With average unit share prices at about Y910, the minimum funds needed to buy most shares is Y910,000, a sum widely thought to be out of reach of most would-be investors.

Under the new plan, that minimum sum will fall to Y91,000, a drop the JSDA thinks will widen the potential investor base. Commissions will be in line with current commissions for trading in small lots on the existing exchanges, at about 2.5 to 3 per cent.

The Ministry of Finance, the Tokyo and Osaka exchanges, and the JSDA will watch the move carefully in the hope it will encourage the return of individual investors, who have left the stock market in droves in the past few years. Individuals have been net sellers of more than Y3,000bn in shares in the last two years, and their stance has been one of the main factors depressing stock prices.

The greater accessibility of equities may succeed in attracting small-lot funds away from bank and postal savings deposits, where yields have fallen close to those available from shares.

Most of the 2,000 stocks traded on the Tokyo and Osaka exchanges will be made available for the so-called "mini-market". The new small lots will not be traded on the large bourses themselves, but over the counter at securities companies. Investors will receive dividends on their investment, although they will not be given the same voting rights as full shareholders. The shares will, however, be tradeable between markets.

If an investor builds up 10 units of a share on the mini-market, he or she will be allowed to exchange them for a full share on the existing stock market. The average minimum amount in the new market will fall to about one-third of the level in US markets, from its current level of three times average US minima.

Other equity brokers generally welcomed the move, but many doubted it would prove sufficient to lift the market out of its prolonged torpor, which owes as much to institutional lack of interest as it does to individual caution.

Rise in crude prices lifts Imperial Oil

By Robert Gibbens in Montreal

Higher crude oil prices and strong chemical markets enabled Imperial Oil, Canada's biggest integrated oil company, to report its best first quarter since 1991.

Those factors more than outweighed tight refinery margins and lower natural gas prices.

Net profit was C$127m (US$92.7m), or 66 cents a share, up 38 per cent from C$92m, or 47 cents, a year earlier. Revenues were C$2.2bn against C$2.1bn.

Imperial, 70 per cent-owned by Exxon of the US, said cash flow from operations swung to C$157m from a negative C$137m a year earlier. This was mainly due to payment of a tax instalment in the 1994 quarter. Cash and short-term securities stood at C$1.27bn at March 31, up from C$1.59bn.

The resource contribution was C$60m, against a negative C$7m a year earlier, because of higher Canadian prices for heavy and conventional oil. Petroleum products' contribution was C$27m, down from C$118m, because of weak refining margins. The contribution from chemicals was C$37m, up from a negative C$2m.

Alcatel steps up quest for new chief

By John Ridding

Mr Marc Viénot, appointed this week as interim chairman of Alcatel Alsthom, said yesterday he was seeking to find an industrialist as a permanent head for the transport, telecoms and engineering group before its annual shareholders meeting in late June.

The chairman of Société Générale, the French bank, said the question remained open about whether to divide the posts of chairman of Alcatel Alsthom and head of Alcatel, the industrial concern's telecoms arm.

According to Mr Viénot, it was legally possible but practically highly unlikely for Mr Pierre Suard to return as chairman. Mr Suard has been barred from his post at the group since last month by a magistrate investigating allegations of corruption, including overbilling of France Télécom and the abuse of corporate funds.

Mr Suard remains a board member and, legally, the chairman of the industrial group. Under French law, he co-exists with the interim chairman. "It is a strange situation," said Mr Viénot.

In theory, the company could be presented with a dilemma, should the judicial measures against Mr Suard be dropped after a new chairman has been appointed.

The possibility could also prove a disincentive to a potential successor.

Mr Viénot, however, discounted the prospect. He said that the complex legal problems surrounding Mr Suard ruled out a rapid resolution of the case, adding that the board would have to decide what action to take should Mr Suard be cleared soon.

Mr Viénot said that it was regrettable that Mr Suard had been barred from exercising his functions. "It is shocking that he has been blocked from his job when the accusations have not been proven nor shown," he said.

The Société Générale chief said that no potential candidates had yet been contacted and added that it was possible that a replacement could come from within the group.

He said he would devote half of his time to the search for a successor, but that the limited nature of his mandate, which extends to the end of July, and the organisation at Société Générale, would not hinder the management of the bank.

Air France reduces losses

By John Ridding in Paris

Air France, the state-owned French flag-carrier, yesterday announced a sharp fall in losses for 1994, reporting a net deficit of FFr2.36bn ($490.1m) compared with one of FFr8.48bn in 1993.

The results, which were in line with forecasts, reflect the impact of a productivity and restructuring package introduced last year by Mr Christian Blanc, chairman. However, they also reveal the gap between the French carrier and many of its European rivals, most of which are showing profits, or big rises in earnings, after the recession of 1992-93.

The package being implemented by Mr Blanc, which includes a three-year FFr20bn capital injection from the French government, is aimed at returning the group to profit after several years of substantial losses.

According to Air France, the performance in 1994 should enable it to achieve its target of a FFr3.5bn loss for the 15 months to the end of March. (The change in the accounting calendar is to bring Air France in line with other carriers.)

Turnover at the airline rose 2.8 per cent to FFr39.77bn during the 12-month period. The rise included strong growth in passenger volumes, but a fall of almost 10 per cent in yields per passenger. This reflected the airline's strategy of reducing fares to win back passengers lost during a serious industrial dispute in 1993 and because of increased competition in the industry.

Air France recently launched a series of new products for its medium-haul flights, and has restructured the organisation into separate profit centres. Later this year, the company will launch new products for its long-haul flights, Mr Blanc has said.

He has also indicated that the French flag-carrier is seeking to conclude an alliance with one of the main US or Asian airlines.

France to name bank sale adviser

By Andrew Jack in Paris

The French government is to appoint an investment bank over the next few weeks to advise on the privatisation of Société Marseillaise de Crédit, a regional bank.

The action marks an acceleration in its attempt to sell the bank, following a recapitalisation announced in March which could lead to a sale before the end of the year.

The ministry of economics last month announced a capital injection of FFr1.06bn ($220.1m) to support losses at the bank, on top of an initial recapitalisation of FFr326m agreed early last year.

The government privatisation commission still has to consider terms of the sale and the price recommended by the adviser. Officials are expecting the sale to raise several hundred million francs.

The process will be simplified because the state is the only shareholder in Marseillaise de Crédit – it has not handed out shares to other companies, as is often the case with large state holdings.

However, a subsidiary of the bank, GP Banque, was also recapitalised with FFr100m and restructured earlier in March, in a move which diluted its parent's holding to 60 per cent. The remaining shares are held by companies in Tunisia, Morocco and Algeria, the regions in which it will focus its activities.

Marseillaise de Crédit reported losses for 1994 of FFr1.23bn, largely blamed on provisions against property loans demanded by the state.

Anglovaal mines post weak results

By Mark Suzman in Johannesburg

The four gold mines in the Anglovaal group reported weak results for the March quarter, due to a depressed gold price and lower production levels.

Hartebeesfontein saw net profit drop to R34m ($9.4m) for the quarter from R42.9m previously, while profit after capital expenditure fell to R26.19m from R37.92m.

This reflected lower overall production for the quarter, which dropped to 5,913kg from 6,328kg. Costs per kilogramme rose to R37,325 from R35,485.

Loraine, the marginal mine, saw its loss after capital expenditure widen to R2.4m from R1m, as costs rose to R45,257 per kilogramme from R43,505.

Village Main managed to reduce costs, but was held back by tax, keeping net profit before capital expenditure at R876,000, up from R741,000.

Eastern Transvaal Consolidated suffered from the effects of an explosion which damaged the mine's main processing plant.

However an improved grade meant that, in spite of lower output, net profit rose to R4.48m from R4.01m after capital expenditure.

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INTERNATIONAL COMPANIES AND FINANCE

Coca-Cola turns in 22% improvement to $638m

By Richard Tomkins in New York

Continuing strong growth in its overseas markets helped Coca-Cola, the US soft drinks company, produce a better-than-expected gain of 22 per cent in first-quarter net earnings, the latest in a long series of big profit rises.

Revenues rose 15 per cent to $3.9bn, taking net profits up to $638m from $521m. Earnings per share, boosted by share repurchases, rose by 25 per cent to 50 cents from 40 cents.

Mr Robert Goizueta, chairman and chief executive, attributed Coca-Cola's volume growth to the success of its marketing initiatives around the world. Some 79 per cent of Coca-Cola's operating profits come from overseas, and Mr Goizueta said the company increasingly functioned like a global investment trust.

"That trust continues to generate strong growth at every level of market development, and its portfolio effect helps us offset weakness in one economy with strength in others," Mr Goizueta said.

The total volume of drinks sold rose 9 per cent, with more of the growth coming from overseas than in North America. International unit case volume rose by 12 per cent while US unit case volume rose by 3.5 per cent.

Among international markets, Latin America was particularly strong, increasing unit case volume by 16 per cent. Europe increased volume by 7 per cent, Africa by 12 per cent, and the Middle East and Asia Pacific by 12 per cent. Within those figures, volumes in eastern and central Europe rose 23 per cent, in China 44 per cent, and in India 20 per cent.

Some of Coca-Cola's recent volume growth in the US and overseas has been driven by marketing initiatives such as the exploitation of the well-known Coke contour bottle design, which Coca-Cola is extending to its entire line of plastic and glass Coke bottles.

One concern for all soft drink manufacturers during the quarter was a rise in the cost of cans, driven by rising aluminium costs. But analysts say manufacturers were generally able to pass these increases on to consumers.

Improving economy helps BankAmerica

By Richard Waters in New York

BankAmerica, the second biggest US banking group, reported a 19 per cent advance in net earnings for the first quarter, reflecting in part the slow but steady pick-up in economic activity in its home state of California.

The bank's growth also reflected an improvement in its net interest margin and a significant growth in its corporate loans, due to the acquisition of Continental Bank.

The net interest margin, at 4.55 per cent, was up from 4.45 per cent in the first quarter of last year. Commercial and industrial loans, meanwhile, jumped 45 per cent to $30bn, as total lending climbed 17 per cent to $144bn.

In spite of the growth, BankAmerica's return on equity, at 13.9 per cent, continued to lag much of the industry. It reported an 18 per cent return on equity in its consumer banking business, while corporate and international banking recorded a return of 11 per cent.

Net income of $611m, or $1.45 a share, compared with $513m, or $1.26 a share a year ago.

Bankers Trust chief reaffirms strategy

By Richard Waters

Mr Charles Sanford, chairman of Bankers Trust, has issued a strong public affirmation of the US bank's basic business strategy, in spite the lawsuits it has attracted over derivatives activities and its first quarterly loss since 1989.

His comments came as Bankers Trust reported an after-tax loss of $157m for the first three months of this year. The poor results were caused by "losses in Latin America derivatives and trading positions and a sharp decline in revenues from the sale of risk management products", Mr Sanford said.

The comments, made at the bank's annual meeting in New York, were Mr Sanford's first public statement on Bankers Trust's recent problems. He was speaking almost a year after the bank was first sued by Procter & Gamble over a derivative contract.

Bankers Trust's problems had prompted speculation that Mr Sanford would alter its business to rely less heavily on the derivatives markets. The New York-based bank had been at the forefront of their development before last year's bond market collapse, which led to losses on the most leveraged types of contracts and killed their demand.

Yesterday, though, Mr Sanford said the bank's aim was "to adapt, to evolve ... not not to reinvent the firm, as some have suggested."

He also expressed confidence in the continued long-term growth of the derivatives markets.

Mr Sanford added: "The overall market for derivatives should grow on average over time - even though particular types may wax and wane in popularity."

The Bankers Trust chairman also intimated that the bank would reduce the level of trading it undertakes for its own account. In future, the bank will devote more attention to making markets for customers in the foreign exchange and government bond markets, he said.

The $157m after-tax loss included a $35m post-tax charge to cover redundancies for the remainder of this year.

The results were struck after a $77m loss from trading-related revenues, which compared with earnings of $191m a year ago.

Meanwhile, income from trust and fund management fell by 9 per cent to $171m.

General Electric 'set for record year'

By Maggie Urry in New York

Highest-ever first-quarter earnings from General Electric, the US conglomerate, left the group "positioned to deliver record results in 1995", according to Mr John Welch, chairman.

He said the increasing globalisation of the group, faster introduction of new products, higher productivity, and better working capital management were behind the gains.

GE, whose interests range from jet engines to refrigerators, and financial services to NBC broadcasting, increased net income from continuing operations by 13 per cent from the first quarter last year, to $1.37bn. Earnings per share from continuing businesses were 14 per cent higher at 81 cents.

In the first quarter of last year the group suffered a net loss of $151m from its Kidder Peabody broking business, which has since been sold. The Kidder Peabody loss per share had been 9 cents in the first quarter of 1994.

Group revenues rose 18 per cent to $15.1bn, with acquisitions providing 7 percentage points of the increase. All 12 of GE's divisions increased sales, of which six reported rises of more than 10 per cent.

Ten of the 12 units raised operating profits, the best performances coming from plastics, NBC and appliances. The medical equipment division's profits fell, although its sales rose, because of uncertainty in the healthcare market, GE said.

GE Capital Services, the financing business, does not report operating profits but said its earnings rose 16 per cent to $559m.

GE generated cash of $500m during the quarter. The group spent $779m under its latest two-year share buy-back plan, which aims to spend up to $5bn on repurchasing shares.

Purchases totalled 14.8m shares, at an average price of $52⅝, reducing the shares in issue by less than 1 per cent.

The shares fell $⅛ in morning trading yesterday to $53½.

Digital beats forecasts with $74m

By Louise Kehoe in New York

Digital Equipment reported higher than expected earnings for its third quarter, with sales growth driven by strong demand for its Alpha workstations and servers and a jump in personal computer sales.

The results represented "another significant step forward" in Digital's recovery, said Mr Robert Palmer, president and chief executive. The computer company has recorded cumulative losses of $5.8bn over the past four years.

Net income for the quarter was $74m, or 44 cents a share, compared with a net loss of $183m, or $1.34, in the same period last year. Wall Street analysts had been projecting income of about 28 cents a share. Revenues for the quarter were $3.5bn, up 6 per cent from $3.3bn for the third quarter of fiscal 1994.

Total operating expenses decreased to $1.03bn from $1.27bn, a 19 per cent decline. Over the past 12 months Digital has reduced its workforce by about 26 per cent, to 63,100, with the loss of about 22,600 jobs.

Gross margin for the quarter was 32.2 per cent, against 33.8 per cent for the comparable period a year ago. The decline reflected a changing product mix, the company said.

Digital ended the quarter with $1.465bn in cash, an increase of $201m, or 16 per cent, compared with a year ago.

"We are gaining market share in our strategic markets," said Mr Palmer. Third-quarter revenues from Alpha systems, based on the company's high-speed reduced instruction set computing technology, increased by 66 per cent over the same period last year, he said. PC sales were up about 60 per cent.

For the fiscal year to date, Digital reported a net loss of $38m, or 45 cents, against a net loss of $410m, or $3.02, in the first nine months of the last fiscal year.

Lotus tumbles into red in first quarter

By Louise Kehoe

Lotus Development, the personal computer software publisher, reported an unexpected first-quarter deficit as it lost ground to Microsoft, the world market leader.

Net losses for the quarter were $17.5m, or 36 cents a share, against net income of $21.3m, or 45 cents, in the same period last year. Revenues declined 18 per cent to $202.6m from $247m.

"We are obviously disappointed with our first-quarter results, specifically the decline in our desktop applications revenue in the face of relentless competition," said Mr Jim Manzi, Lotus president and chief executive.

Lotus remained committed to producing desktop PC applications, Mr Manzi said.

However, communications software, such as the company's *Notes* electronic messaging program, would be "the important source of our future growth and will be the driver of our operating profits," he added.

Lotus said that it would cut planned spending by $50m and had established goals to make all its operations profitable by the end of the year. The company also said that it was close to reaching an agreement to subcontract its manufacturing operations to a third party to reduce costs.

Lotus shares dropped $2¼ to $28½ in early trading.

Data General to shed jobs as losses top $11m

By Louise Kehoe

Data General, the US computer manufacturer, reported continuing losses for its second fiscal quarter and announced it was to cut 500 to 600 jobs, or about 10 per cent of its workforce, over the next three months.

Second-quarter losses were $11.1m, or 30 cents a share, much wider than Wall Street projections of a 13 cents a share loss. For the second quarter of last year there was a net loss of $48m, or $1.35 a share, including a restructuring charge of $35m.

Revenues for the quarter were virtually flat at $283.8m, against $282.9m in the same period last year.

Data General said it would take a restructuring charge of about $40m in the current quarter to cover costs of the workforce reduction and other cost cutting measures.

For the first six months of fiscal 1995, the company reported net income of $13.1m, or 35 cents. That included a one-time pre-tax gain of $44.5m from the settlement of a copyright infringement and trade secret lawsuit against Northrop Grumman, the US defence group. For the same period last year net losses were $69.1m, or $1.95.

Revenues for the year to date were $566m, compared with $544m in the same period a year ago.

Cadillac Fairview optimistic on restructuring

By Bernard Simon in Toronto

Cadillac Fairview's creditors and shareholders begin a series of meetings in Toronto today which will decide the fate of the debt-burdened North American property developer.

Cadillac officials are cautiously optimistic that various groups of stake holders will approve the final version of a controversial restructuring plan, rather than risk liquidation. However, Canada's bankruptcy law requires the approval of 75 per cent of each group of creditors and shareholders, many of whom have yet to show their hand. Cadillac has been under court protection since last December.

Under the final version of the plan, which has been under negotiation for more than a year, a total of C$832m (US$607.4m) will be injected into the company.

A consortium comprising the Blackstone group, the New York-based investment fund manager, and the Ontario teachers' pension fund will invest C$300m for a 34 per cent equity stake. These two investors will also pay C$81m for control of two southern Ontario shopping malls.

Another C$101m will come from a refinancing of the Toronto-Dominion Centre in downtown Toronto, one of Cadillac's flagship developments. A group of banks will put up the remaining C$350m in a secured credit facility.

Cadillac said that the revised plan also enjoyed the support of a fund managed by Goldman Sachs, the US investment bank, which holds about 28 per cent of senior, syndicated debt totalling C$1.1bn.

In addition, the company won the backing of members of a steering committee, which holds about 23 per cent of the subordinated debt plus 15 per cent of the syndicated debt.

The main question mark at today's meetings hangs over the subordinated debt holders, comprising mostly US "vulture funds".

The funds bought the debt at a hefty discount over the past 18 months in the hope of making a quick profit, but instead face losses running into hundreds of millions of dollars.

Under the revised plan, these junior creditors will recover about 5 cents per C$1 of principal, and end up with an equity stake of only 8 per cent. Syndicated creditors will recover between 94 cents and C$1.07, depending on whether they take cash or shares.

The company hopes to persuade the creditors that they would receive less – and in the case of the subordinated debt holders, nothing at all – in the event of liquidation.

Mr Charles Masson, chairman, said that the plan created "a viable capital structure", which gives the company the capacity "to be a long-term leader in the North American real estate industry".

Gencor gold arm posts 41% slide for quarter

By Mark Suzman in Johannesburg

Gengold, the gold mining arm of South African natural resources group Gencor, suffered a 41.4 per cent fall in distributable profit to R32.8m ($9.1m) for the quarter ending March, from R55.9m in the December quarter.

The figure was also down on the R82.3m posted for the same period a year ago.

A drop in the average grade to 4.6 grammes/tonne from 5.4 grammes/tonne in the previous quarter meant total group production fell to 14,000kg from 15,025kg, in spite of an overall increase in tonnes milled across the group. The average gold price received declined to R43,536 from R43,927 in the previous quarter.

Mr Gary Maude, managing director, said the sharp drop was mainly attributable to continued labour unrest. Work stoppages had a serious impact on two of the group's biggest mines, Winkelhaak and Kinross, which in turn severely depressed overall production.

He said attempts to consult more closely with the workforce had borne fruit in some smaller mines but, with the industry's annual wage negotiations due to take place next quarter, he felt the productivity crisis in the industry would probably worsen before it improved.

"We don't see an end to it this quarter," he said, adding that production would also be dented by a number of new public holidays.

Of the two affected mines, Winkelhaak saw its distributable income drop to R3m from R10.3m in the previous quarter as production declined to 2,111kg from 2,582kg. Kinross's distributable income declined to R2m from R17.6m in the December quarter as its production dropped by 828kg to 2,025kg.

However, the group's biggest mine, Beatrix, turned in a solid performance. It kept working costs steady and increased production to 3,576kg from 3,316kg. Distributable income at R18m was only slightly down from 19.4m previously.

St Helena increased production to 1,499kg from 1,350kg and lifted distributable income to R10.73m from R10.25m.

Viacom unit, Polygram in Asian TV link

By Raymond Snoddy in London

MTV Networks, the music satellite television subsidiary of Viacom, is teaming up with Polygram, Philips' music and media subsidiary, to broadcast two music channels in Asia.

A Mandarin-language channel, MTV Mandarin, will be launched on April 21, and delivered by satellite from Singapore to 20 Asian countries. The channel, aimed at 12 to 34 year olds, will reach around 2.5m homes, mainly in Taiwan. On May 5, the two groups will launch MTV Asia, an English-language music channel which can be received in 39 Asian countries.

MTV Networks and Polygram will each own 50 per cent of the companies developing the channels. MTV is available in more than 250m homes in 64 countries, and Polygram is strong in the Asian market.

NEWS DIGEST

Gist-Brocades to sell enzymes unit to Genencor

Gist-Brocades, the Dutch chemicals and enzymes group, has agreed in principle to sell its industrial enzymes business to Genencor International, the US biotechnology company, writes Ronald van de Krol in Amsterdam.

The companies gave no financial details, but Gist-Brocades said the deal would boost annual turnover at Genencor, a joint venture between Eastman Kodak and Cultor of Finland, by 50 per cent from its 1994 sales figure of nearly $140m.

Gist-Brocades said the sale of industrial enzymes – covering products used in detergents, starch processing, textiles, paper and pulp – would enable it to concentrate its enzyme efforts on the food industry.

Two years ago, Gist-Brocades acquired Genencor's enzyme business, which is aimed at the fruit juice, wine and olive oil industries. It is also active in enzymes for the bakery, dairy and animal feeds industries.

Growth in the world industrial enzymes market, estimated by Gist-Brocades to be worth $1.1bn last year, means companies need to have a substantial market share to finance research and development and create better economies of scale. "For this reason, the two companies consider a further consolidation in the market as essential," Gist-Brocades said.

The proposed deal, expected to be completed over the next two months, includes the Dutch company's enzymes factory in Bruges, Belgium, and marketing and sales activities in the Netherlands, France and the US. Genencor will also acquire Gist-Brocades' research and development facility in Delft, the Netherlands.

Turnround for Brazilian energy groups in year

Two Brazilian energy companies have announced sharp swings from loss to profit last year, attributed to economic growth and government-approved tariff increases, writes Angus Foster in São Paulo.

Companhia Energética de São Paulo, Brazil's biggest electricity generator, reported net profits after tax of R$335.1m (US$372.3m) in the year to December 31, compared with a loss of R$743.3m a year earlier. Turnover increased 20 per cent to R$2.85bn, helped by the tariff increases.

CESP, one of three companies which the state of São Paulo intends to restructure to cut costs and raise efficiencies, saw personnel charges jump 36 per cent to R$314m. The increase was partly offset by a fall in payments for energy from the Itaipu hydroelectric dam, the world's biggest. Itaipu's tariffs, which are set in US dollars, became cheaper as the Real appreciated against the US currency in the second half of the year.

Light, the Rio de Janeiro distributor which the government intends to privatise this year, also announced a strong return to profit. Net profits after tax were R$122m, compared with a loss of R$291.1m previously.

Australian goldminer advances to A$46.2m

Gold Mines of Kalgoorlie yesterday announced a rise in profit before tax and abnormals to A$46.2m (US$34.2m) in the nine months to end-March from A$35.7m a year ago, writes Nikki Tait in Sydney.

However, after taking into account previously announced asset write-downs, the bottom-line figure was a A$288.6m loss.

Its sister company, Mount Leyshon Gold Mines, made an after-tax profit of A$17.8m, 24 per cent down on the first three-quarters of the previous year. Both companies are part of the Normandy Poseidon group.

Vard losses deepen to NKr109.1m in quarter

Vard, the troubled Norwegian cruise group, saw its first-quarter pre-tax losses widen to NKr109.1m ($17.9m) from NKr57.29m, writes Karen Fossli in Oslo.

The weaker result was partly due to a $9m foreign currency loss incurred by Miami-based subsidiary Kloster Cruise.

Royal Cruise Line, one of KCL's two cruise lines, had difficulty selling capacity, which was 23 per cent higher than in 1994, as prices stagnated.

Norwegian Cruise Line substantially improved results, in spite of a 17 per cent reduction in capacity. NCL's load factor increased 12 per cent as prices rose 2 per cent.

KCL's net losses, including currency adjustments, widened to $17.1m from $13.5m.

Vard group income fell to NKr1.26bn from NKr1.8bn. Operating expenses were cut to NKr1.1bn from NKr1.58bn and depreciation declined to NKr94.6m from NKr127.86m. Operating profits were NKr64.73m, against NKr96.66m last year.

Net losses were extended to NKr78.57m from NKr41.25m.

Vard said proceeds of a planned share issue to raise up to NKr299m would be used primarily to cut parent company debt to NKr26m by June 15 from $62m.

Japanese supermarket chain posts sharp decline

Seiyu, a Japanese supermarket chain, recorded a sharp fall in profits as pressure on retail prices and poor consumer confidence took their toll, writes Emiko Terazono in Tokyo.

The company suffered a 42.9 per cent drop in its non-consolidated recurring profit to Y4.1bn ($50.3m) for the year to last February.

Sales slid 1.6 per cent to Y1,032.8bn, and after-tax profits declined 56.4 per cent to Y2.3bn. Mr Katsuhiro Fujiseki, president, said a fall food and clothing prices hit the company's earnings.

The figures were helped by a special profit of Y25.8bn from sales of stockholdings, including about Y19bn from the sale of FamilyMart shares, Seiyu's convenience store affiliate.

For the year to next February, the company expects recurring profits to almost double to Y8bn, on a 0.2 per cent sales rise to Y1,035bn.

● FamilyMart's non-consolidated pre-tax profits rose 5.8 per cent to Y18bn, on an 8.9 per cent increase in sales to Y486.3bn.

Shake-up lifts earnings at India's Escorts

Escorts Limited, the Indian automotive, machinery and telecommunications group, recorded a sixfold rise in profits after tax to Rs700m ($22.3m) for 1994-95 on a 33 per cent rise in turnover to Rs14bn, writes Mark Nicholson in New Delhi.

Mr Rajan Nanda, chairman, attributed the rises to India's economic buoyancy and company restructuring during the past year. Combined sales of Escort and Ford tractors rose 24 per cent and motorcycle sales were up by 39 per cent.

He forecast a further 20 per cent rise in tractor sales in the present year to 42,000 units and said production of two-wheelers would rise 40 per cent to 229,000 vehicles.

Mr Nanda said the company was proposing to invest Rs1bn from internal sources to on improve the technology of its core tractor business and increase its domestic market share from the present 20 per cent.

Escorts is expected to enter a joint venture bid to provide basic and cellular telephone services in the present national telecoms bid round. Mr Nanda said plans to build a naphtha cracker were at "advanced stages of finalisation" and would be announced soon.

Seven Network expects Foxtel to sweeten offer

Seven Network, the Australian commercial TV network, said yesterday it expected Foxtel, the cable/pay-TV consortium belonging to Mr Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group, to make it a substantially improved offer, enticing it to join the grouping, "in the immediate future", writes Nikki Tait.

In statement to the stock exchange, Seven said it had received an "attractive" offer from Optus Vision, the rival consortium, involving the Optus telecommunications company and Mr Kerry Packer's Publishing and Broadcasting group. Seven, which has valuable sports programming rights, was previously aligned with Optus Vision but backed out of the consortium last year.

News of the rival proposals came as Mr Kerry Stokes, the Perth-based media proprietor continued to buy shares in Seven, taking his stake to about 13 per cent by the close of business. News has a 15 per cent interest in Seven, and Telstra about 10 per cent.

Seven also confirmed Mr Reg Grundy, who is selling his Grundy Worldwide TV production group to Britain's Pearson, had been a recent buyer of its shares.

Campbell Soup raises Arnotts stake to 66.2%

Campbell Soup, the US-based food group, has raised its stake in Arnotts, the Australian biscuit manufacturer, to 66.2 per cent, writes Nikki Tait.

According to a notice published by the Australian Stock Exchange yesterday, the US company has raised its holding, through market purchases, from 63.2 per cent last month.

MCI gains ground in its market battle with AT&T

By Richard Waters in New York

The recent successes of AT&T, the biggest US long-distance telephone company, in clawing back market share from MCI stalled early this year, according to first-quarter figures released by both companies yesterday.

AT&T's long-distance call volumes climbed by 8.5 per cent in the period, in line with the higher growth rate it had established in the previous three months.

However, MCI, the country's second-biggest long-distance carrier, registered a 9.2 per cent advance, in the process reversing the slide in volumes it experienced late last year.

Meanwhile, the fierce competition for business, particularly from residential customers, showed through in slower revenue growth in AT&T's telecommunications businesses, which climbed by only 4 per cent, to $11.4bn.

Both AT&T and MCI registered a 9.5 per cent increase in sales and other administrative expenses in the latest period, to $4.8bn and $993m respectively.

The cost growth reflected in part the higher marketing costs associated with the battle for long-distance market share.

Overall, AT&T reported a 7 per cent advance in sales, to $18.3bn, due to 11 per cent sales growth in products and systems, to $4.5bn.

Total costs and expenses also rose by 7 per cent, to $16.3bn, on the rise in marketing expenses and higher research and development spending.

AT&T's net income for the quarter rose to $1.2bn, or 76 cents a share, from $1.1bn, or 69 cents, the year before.

The company's earlier figures were restated to include McCaw Cellular, which it acquired during the year.

MCI, meanwhile, reported an advance in revenue of more than 10 per cent, to $3.6bn, while its operating expenses rose by 10 per cent, to $3.1bn.

The company said it had experienced "solid growth across all product segments" for business customers. This included a 40 per cent increase in international call volumes and a 30 per cent advance in the data services market.

After-tax profits at MCI were in line with market expectations at $244m, up from $209m a year before.

Earnings per share for the quarter remained flat at 36 cents, reflecting the extra shares issued to British Telecommunications last year, which lifted the total shares outstanding to 685m, from 580m.

Demand puts Inco in the black

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, benefited in the first quarter from continuing strong demand and rising prices.

However, operating problems combined with rail and port strikes in Canada disrupted shipments from Inco's mines, forcing it to rely on material bought from other producers, on which profit margins are slim or non-existent.

The Toronto-based company posted earnings of US$71.7m, or 60 cents a share, in the three months to March 31, compared with a $60m loss, or 53 cents, a year earlier.

Last year's results included one-off after-tax charges of $56m stemming from production cuts to cope with the then-depressed market.

Revenues jumped to $878.4m from $528m.

Nickel prices averaged $3.97 a lb in the first quarter, up from $2.77 a year earlier and $3.29 in the previous three months. Higher copper prices also boosted earnings.

Mr Michael Sopko, chairman, told the annual meeting yesterday that recent cost-cutting efforts have brought Inco's break-even point down to about $2.25 a lb for nickel.

First-quarter deliveries totalled 147m lb, little changed from the previous three months. However, nickel output was about 8m lb lower than in the fourth quarter of 1994.

Deliveries of platinum-group metals also declined, to 68,000 ounces from 99,000 ounces.

Income from the alloys and engineered products business, which has experienced especially tough times in the past few years, jumped to $19m from $2m, due to higher deliveries and improved margins.

Capital spending at Inco's mines is expected to double to $275m this year. Most of the increase will be spent on Canadian operations.

MIM pulls out of deal with BHP

By Nikki Tait in Sydney

MIM Holdings, the Brisbane-based mining group, yesterday called off plans to take a one-third interest in the Cannington silver-lead project which is being developed by Broken Hill Proprietary in north-west Queensland.

The aborted deal comes just over a year after MIM said it would buy a stake in the project – and one day after Mr Nick Stump, new MIM chief executive, formally took over at the company.

MIM said its board had taken the decision after considering the feasibility study on the project – not available when the initial investment decision was announced – and "in the light of the cost of the entry into the project for MIM".

"While Cannington is a high-quality deposit with development potential, MIM requires a higher return on new investments," it added. MIM later declined to elaborate on the numbers involved. BHP said that studies into the project were continuing on the basis of 100 per cent BHP ownership.

BHP discovered the ore body in 1990, and it was suggested last year that mine development could be completed in the 1997 financial year, with sales commencing in 1998. The expected development cost was put at around A$225m (US$166.79m).

As part of the MIM deal, it was envisaged the company would smelt two-third of the mine's silver-lead concentrate at its Isasmelt plant at Mount Isa – made up of its own share of production plus one-half of BHP's share which it would purchase.

US defence groups beat spending cuts

By Lisa Bransten in New York

Stable or improved operating earnings at three US defence companies demonstrated their ability to counter lower military spending with diversification and cost cutting.

Both McDonnell Douglas, primarily an aircraft manufacturer, reported increased operating earnings, as did Rockwell International, the aerospace and electronics group, which reported second-quarter results earlier this week.

General Dynamics, a manufacturer of tanks and submarines, reported first-quarter operating earnings just below last year's results.

McDonnell Douglas, the largest military contractor in the US, attributed the 13 per cent increase in operating earnings to gains in the commercial and military aircraft units. Overall, first-quarter net earnings at the company were $159m, or $1.38 a share, this year against $134m, or $1.13, in last year's first quarter.

Gains in McDonnell Douglas' military and commercial aircraft units helped offset weakness in the missiles, space and electronics segment and in the company's financial services unit.

Rockwell posted a 32 per cent increase on last year's operating earnings and a 21 per cent jump in net sales. Net earnings increased to $191.4m, or 88 cents, a share from $159.7, or 70 cents, in last year's second quarter.

The company attributed about half of the sales gain to the inclusion of Reliance Electronics. Rockwell completed its acquisition of the automation company in late January, to further the company's goal of increasing its non-defence businesses.

Commercial and international businesses accounted for 73 per cent of total revenues last quarter against 64 per cent in the second quarter of last year, according to Mr Donald Beall, chairman and chief executive.

General Dynamics reported operating earnings of $79m for the first quarter of 1995, slightly lower than the nearly $80m reported last year.

Net earnings were stronger, at $60m against $55m last year, mostly because of an additional $13m in interest income.

Per share earnings at the company were 95 cents for the first quarter, against 86 cents last year.

Mr James Mellor, General Dynamics chairman and chief executive, attributed much of the company's increased profitability to consolidation.

"We had another excellent quarter because we have continued to improve productivity and reduce costs even as sales volume has declined," he said.

RESULTS DIGEST

Merck sales up 17% in first quarter

Merck, the US pharmaceuticals company, yesterday registered a 17 per cent advance in underlying sales in the first three months of the year and announced an intensification of its cost-cutting efforts, writes Richard Waters.

Sales of $3.8bn were only 9 per cent above the reported revenues of a year before, however, due to the disposal of several businesses.

Merck's sales advance, like other US drugs companies which have already reported, was driven by strong volume growth.

The fall in the dollar also contributed two percentage points to the growth, as international sales climbed to 33 per cent of the total.

Merck's latest figures include a $175m pre-tax restructuring charge to cover the closure of some manufacturing facilities, as well "rationalisation and workforce reduction" in both the US and Europe.

After-tax profits rose 12 per cent to $757m, while earnings per share were up 13 per cent at 61 cents.

Caterpillar sets records

Heavy-equipment maker Caterpillar reported record sales and earnings in the first quarter, but said dealer inventories in the US were rising and sales to Latin America were slowing at a faster rate than earlier projected, writes Laurie Morse in Chicago.

However, the company, which exports 48 per cent of its output, said the weak US dollar should aid overseas sales over the long term.

Caterpillar earned $300m, or $1.50 a share, in the quarter, up from $192m, or 94 cents, in the same period in 1994. Worldwide sales rose 19 per cent to $3.9bn, from $3.3bn in last year's first quarter. Like many equipment manufacturers, Caterpillar reports sales to its own dealers, rather than sales to customers.

The company said US dealer inventories were up "significantly" from the end of the fourth quarter ahead of the spring selling season. The inventories, Caterpillar said, were "slightly above normal relative to current selling rates." Outside the US its said inventories were in better balance in relation to sales.

Phelps Dodge up at $185m

Phelps Dodge, one of the world's largest copper producers, said higher prices and increased output from its new Candelaria mine in Chile helped boost first-quarter profits to $185.3m, or $2.61 a share, from $48.6m, or 69 cents, in the 1994 first quarter, writes Laurie Morse. The advance includes a $16.6m, or 23 cents a share, after-tax gain from the sale of a Missouri chemical company that was recorded in this year's first quarter.

Consolidated revenues rose to $1bn in the first quarter, from $694.3m in the same period a year ago. Operating cash flow grew to $231.8m during the period, from $76.2m a year ago.

Noranda Forest sees advance

Noranda Forest, the Canadian newsprint, fine paper and wood products group, expects 1995 net profit to exceed the recent peak of C$189m in 1989, says Mr Linn Macdonald, president, writes Robert Gibbens in Montreal.

The group is investing heavily to upgrade its mills and will have doubled its fine paper capacity with acquisition of Cross Pointe Paper in the US for US$200m. The deal adds three mills to its production base and was financed from proceeds of the sale of its 49 per cent interest in MacMillan Bloedel.

Total capacity will rise to about 900,000 tonnes of newsprint and higher value papers.

Recovery continued in the first quarter this year with net profit of C$56m (US$40.88m), or 39 cents a share, up from C$32m, or 22 cents, on sales of C$500m up from C$408m.

■ Paper prices rises passed on to customers ■ Turnover up 16% ■ Profits lift 39%

Good demand helps Jefferson Smurfit

By Christopher Price

Rising paper and pulp prices helped Jefferson Smurfit, the Dublin-based paper and packaging group, lift pre-tax profits on continuing operations 39 per cent from I£85.4m to I£118.8m last year.

Smurfit took the opportunity to bring the reporting of results by all its operations from a January year-end to December, a move which affected principally the Irish and UK operations, which account for around 30 per cent of sales and 20 per cent of operating profits.

The headline pre-tax figure jumped from I£47.8m to I£317.1m, boosted by a I£198.3m exceptional gain.

Turnover increased 16 per cent to I£1.71bn as the recovery gathered momentum. Rising demand was experienced across all the group's markets, with paper price rises being passed on to customers.

Mr Dermot Smurfit, deputy chairman and son of the founder, said that he expected paper prices to continue rising for the forseeable future. In the past 18 months, for example, Linerboard prices in the US had risen from $280 a ton to $535.

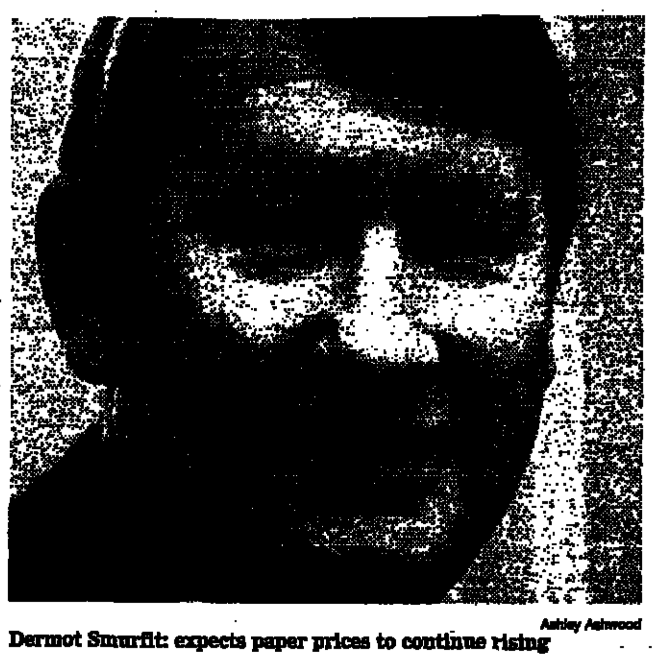
In Ireland and the UK, profits for the 11-month period were I£29.1m, compared with I£28.21m for the previous 12 months. Sales of I£517.7m compared with I£557.74m for the same period.

A two-month contribution from Cellulose du Pin, for which Smurfit paid I£684m last year, helped boost European operations, profits rising from I£7.9m to I£34.6m. Latin America, the most profitable trading area, reported profits of I£50.87m, although figures were depressed by devaluation of the Mexican peso. North American operations were helped by a contribution from Smurfit's US associate, Jefferson Smurfit Corporation.

Mr Smurfit said the company, a global market leader in containerboard, corrugated containers, paper reclamation and folding cartons, wanted to raise its profile with investors. It was looking to appoint a new joint broker in London and seeking an ADR listing.

Earnings per share leapt from 7.2p to 59.1p, although the rise was limited to 37 per cent from 12.2p to 16.7p pre-exceptionals. A final dividend of 3.93p is proposed, giving a total of 5.33p (4p).

The company also proposed a capitalisation issue of one new ordinary share for each ordinary share held.



Ashley Ashwood

Dermot Smurfit: expects paper prices to continue rising

LEX COMMENT

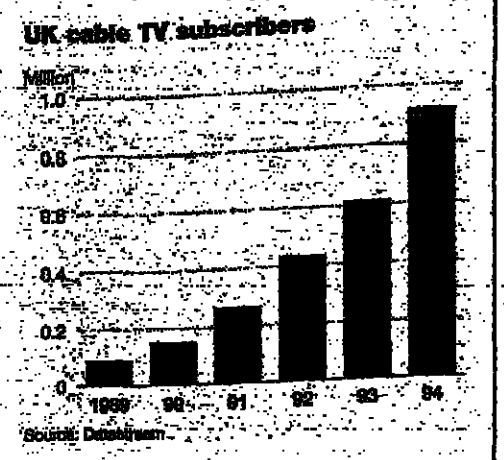
General Cable

General Cable was always going to struggle to get its share offer away. It had already been pulled once. There are two other imminent cable share offers in the UK, so there is strong competition for funds. Furthermore, Eurotunnel has been a poor advert for discounted cash flow valuations. How do you value companies which will not declare net profits, let alone dividends, until the next century?

General Cable's main selling point was that it looked attractively priced against its sole UK listed competitor, TeleWest. With the TeleWest share price dropping 15 per cent since General Cable announced its price range, a cut in offer price was inevitable.

Using adjusted implied values per home in a cable company's territory – a common, if unscientific, means of valuing cable shares – General Cable looks about 20 per cent cheaper than TeleWest. It has a comparatively loyal customer base and a high number of more lucrative business users. But there is a lot of hope written into all cable valuations.

One common assumption is that penetration rates – the percentage of potential subscribers that sign up – will rise to almost 50 per cent by 2000. The actual rate is static at below 22 per cent. There are additional competitive worries such as the eventual entry of BT.



However the most immediate concern is the impending flotations of Nynex Cable Communications and Bell Cablemedia. If these proceed in the current unwelcoming environment, it may be at the expense of industry valuations.

Maple Leaf stake sold in C$623m deal

Hillsdown Holdings, one of the largest UK food processors, yesterday sold its 56 per cent stake in Maple Leaf Foods of Canada for a minimum of C$623m to the Wallace McCain family and the Ontario Teachers' Pension Plan Board, writes Roderick Oram.

It voted for the offer at an extraordinary meeting in Toronto yesterday which approved the transaction. Depending on how many other shareholders opt for a share alternative over the cash, Hillsdown could end with a maximum of C$680m.

Hillsdown had sought alternative bids after it announced last month the approach by Mr McCain, who was ousted last year as co-chief executive of his family's Canadian-based frozen foods empire.

Other potential bidders including some buy-out funds and several industrial companies had looked at Maple Leaf, but decided not to make a competing offer, Sir John Nott, Hillsdown's chairman, said yesterday.

Hillsdown will now concentrate on its European food activities.

Learning a brand versus own-label balancing act

The Maple Leaf sale gives Hillsdown cash to play both cards where it can, says Roderick Oram

For Sir Harry Solomon, a Typhoo tea ad sliding past his office window on the side of a London bus was never a happy sight.

"There goes our money," would grumble the founder of Hillsdown Holdings, one of the UK's largest foods companies, recalls a colleague.

Yet Hillsdown, long in two minds about brands, is now trying to elevate the dichotomy to corporate strategy. On one hand it is the UK's largest own-label food producer with leading positions in foods such as chickens, potatoes, pork, canned vegetables, jam, and eggs; on the other, it wants to grow its modest portfolio of brands such as Typhoo.

"Hopefully Hillsdown can think like an own-label manufacturer which is all about costs but sell branded products at a premium," says Sir John Nott, chairman. If the group can pull the two strands together, "we'd have a very profitable business".

To grow earnings is a pressing task. Sir John and Mr David Newton, chief executive, have brought coherence, tighter financial control, the first divisional management structure and improved performance to Hillsdown since they took over from Sir Harry in January, 1993. But now investors are impatient for them to articulate a strategy for growth.

"The company has come a long way cleaning up its act," says one analyst. "But that's financial engineering. They are stalled at amber with financial criteria driving their strategy."

The company, which indicates it hopes to double earnings per share in the five years ending 1998, says it knows exactly what it wants to do: continue to drive down costs and achieve synergies between its extensive food operations; to make a series of bolt-on acquisitions, particularly on the European continent; and play both the own-label and brand cards where it can.

To help fund that, it has sold its 56 per cent stake in Maple Leaf Foods of Canada for a minimum of £275m. Maple Leaf is in far better shape than when Hillsdown got involved in 1987. But liberalised trade relations with the US leave it disadvantaged compared with big southern competitors.

In addition, the large minority public shareholding prevented Hillsdown from deploying Maple Leaf's financial resources elsewhere in the group. The sale will reduce Hillsdown's gearing to about 15 per cent.

The group is highly experienced in the first two elements of its strategy. For years it has been buying other people's cast-off food businesses and knocking them into shape. Most dramatically, it has rationalised UK poultry processing and canning in the 1990s by buying up discouraged competitors' plants.

It also tries to avoid the traps of commodity cycles. During a recent upswing in UK poultry, for example, it refrained from adding capacity. It is also trying to move into value added products.

Applying these techniques to the European continent, it has for example turned round Nadler, a chilled salad processor it bought in 1992 and turned into the German market leader. Typical of businesses Hillsdown likes to bolt on were the French jam maker and UK biscuit baker it added last year. Were it to tackle a new area of food, "we would buy critical mass not build it," says Mr John Jackson, deputy chairman. Hillsdown has learnt the perils of being small in sectors through its unsuccessful attempts at confectionery, pet food and ice cream.

Despite the reshaping of Hillsdown over the past 16 months, it is still a relatively diverse group. Some 20 per cent of its operating profits are from non-food activities such as house building and furniture making. Sir John says it has no plans to sell them because they offer a counter-balance to the fluctuating fortunes of food manufacture.

City concerns focus, however, on the potential "brands versus own-label" conflict within the company. Resolving it could be difficult.

To many cost-driven own-label managers, brands and the advertising to support them are a waste of money. To branders, a strong image with the consumers is the only way to fend off retailers intent on maximising their profits by offering own-label products.

Certainly Hillsdown's experience with Premier Brands was unhappy in its early days. After buying the biscuit and beverage maker from its management in 1989 for £300m, Hillsdown cut its advertising and marketing budgets and then watched it lose market share and profits in some market segments. Hillsdown says it has learnt the lesson and spending has been restored.

Hillsdown needs to prove to investors that it can develop its portfolio of brands and the management skills to exploit them. It must also learn how to balance the brands against its strong own label activities.

Some large groups such as Cadbury Schweppes, the sweets and drinks maker, believe total dedication to brands is essential for success. Others such as United Biscuits believe they can lead in both areas but in UB's case this has brought mixed results.

Given the different techniques in the two businesses, trying to perform well in both "is a real strategic dilemma," says one food analyst. With the sale of Maple Leaf Foods, Hillsdown has given itself the financial resources to try to resolve it.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albright & Wilson	Yr to Dec 25	641.6	(609.2)	40.7♠	(58.3)	9	(13.7)	-	-	-	-	-
IFG ♣	Yr to Dec 31	12.2	(10.3)	1.02	(0.732)	2.45	(1.35)	0.4	Aug 31🟉	0.3	0.4	0.3
Oriel §	Yr to Dec 31	18.4‡‡	(11‡‡)	3.54	(1.88L♠)	9.1	(8.6L)	3.25†	Sept 8	3	5.25	5
Premium Underwriting	6 mths to Feb 28 ★	0.048♦	(0.046♦)	0.001L	(0.032L)	0.01L	(0.24L)	-	-	-	-	-
Smurfit (Jefferson) ♣	11 mths to Dec 31 ☆	1,710	(1,468)	317.1♥	(47.8)	59.1	(7.2)	3.93†	June 30	2.7694	5.33	4
Toye	Yr to Dec 31	8.6	(10.9)	0.18L♥	(0.51L♠)	8.04L	(21.41L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
River & Merc Geared	Yr to March 31	33.38	(36.83)	1.1	(1.07)	7.82	(7.65)	3.325	-	3.325	7.525	7.525
Taiwan	11½ mths to Dec 31	113.93	(-)	0.026	(-)	0.06	(-)	-	-	-	-	-

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. ☆Comparatives for 12 months. †On increased capital. §USM stock. ‡‡Gross income. 🟉Interim paid in lieu of final for 1994; date of payment dependent on High Court approval for proposed reduction of share premium account. ★Comparatives cover period from incorporation on October 22 1993 to February 28 1994. ♦Gross interest received.

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COMPANY NEWS: UK

Exceptional costs for cleaning up Canadian sites and restructuring

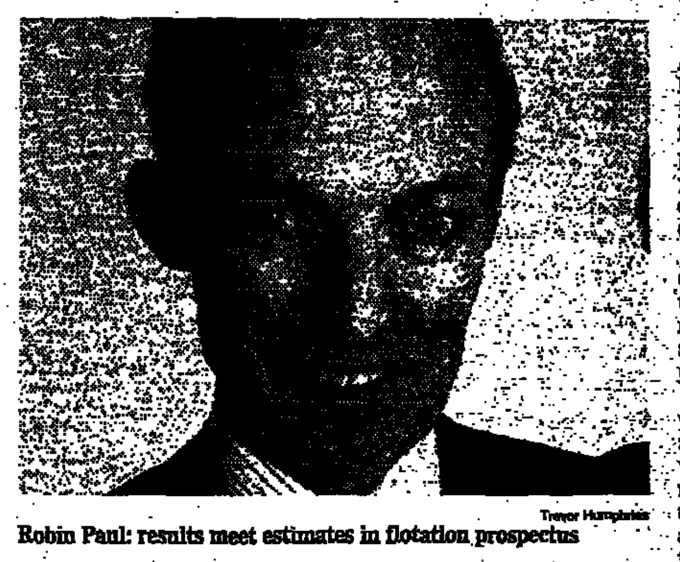
Albright & Wilson at £40.7m

By Motoko Rich

Restructuring, environmental clean-up and currency exchange losses pushed down 1994 pre-tax profits at Albright & Wilson, the chemicals company spun off by Tenneco of the US and floated on the London stock market last month.

After £20.2m of exceptional costs, pre-tax profits fell from £58.3m to £40.7m ($65m). Mr Robin Paul, chief executive, said the results exactly met the estimate contained in the flotation prospectus.

Turnover rose 5.3 per cent from £609.2m to £641.6m. Before exceptional items, operating profits rose 11 per cent to £62.7m (£56.4m), representing underlying growth in the phosphates and speciality chemicals division.



Trevor Humphries
Robin Paul: results meet estimates in flotation prospectus

The largest exceptional charge related to a higher provision for environmental clean-up costs, primarily at the company's former operating sites in Canada. Other costs stemmed from the restructuring of the European surfactants business and the devaluation of the Mexican peso.

Strong growth in North America and in UK exports helped raise operating profits in the phosphates division from £40.1m to £44.6m. New products pushed operating profits in the speciality chemicals business up to £13.8m (£11.1m).

However, the surfactants division experienced difficult trading conditions and rising raw material costs, which squeezed margins for operating profits of £2.2m (£9.3m).

Mr Paul said current trading was in line with expectations, though surfactants were still weak because of yet more raw material cost rises. He said further growth would come from a recovery of profits in the surfactants business, the development of new, expanded application and higher value-added products and international expansion.

Salvesen sale takes £10m charge

Christian Salvesen, the distribution and specialist plant hire group, will take a £10m ($16m) write-down as a result of the disposal of Light & Sound Design Group, the clients of which include U2 and Michael Jackson, writes Geoff Dyer.

It acquired the company for £7.6m in 1991 and is selling it back to its management for £2m.

The deal follows the sale last month of Salvesen's brick operations for £63.5m to its management. A buyer is also being sought for Vikoma, the pollution control business.

Mr Chris Masters, chief executive, said the disposals were part of a strategy of concentrating on the core businesses. He added that Aggreko, the main specialist equipment hire company, would not be affected by the sale.

■ LEISURE AND HOTELS – By Scheherazade Daneshkhu

Surprise as some good results fail to lift sector

Results season
Round-up

Despite some good results this season, the leisure and hotels sector has been relatively quiet, underperforming the market fractionally by 0.46 per cent in the main results period from February 20 to the end of March.

Expectations, partly reflected in the sector's relatively high rating, are that as the UK emerges from recession, the sector will benefit from higher spending. But the economy appears to be slowing and although increased corporate spending has benefited hotel companies, leisure spending has been relatively flat.

Smith New Court, analysts said: "We have been a little surprised by quite how dull the sector has been in share price terms recently. Next year, hope of better consumer spending could return the sector to rather more favour."

Competition from the National Lottery pushed Ladbroke, the hotels and betting group, into the red with pre-tax losses of £229.8m after exceptional costs of £358.3m. The exceptionals included a provision of £100m against the brand name of Vernons, its pools company which has suffered a 15 per cent drop in turnover since the Lottery was launched in November. Before exceptionals, profits were £128.5m up from £106.8m.

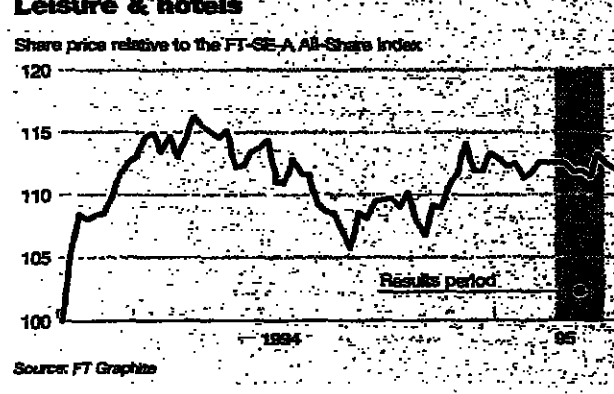
However, one benefit of the Lottery has been to accelerate government moves to deregulate the gaming industry which should benefit companies such as Rank, Ladbroke, Stakis and Bass.

Stakis, the hotels and casinos group, outperformed the market during the period. It doubled pre-tax profits in the year to October 2 from £9.4m to £20.2m, exceeding analysts' forecasts. The improvement reflected a sharp reduction in interest payments and tight hotel and casino management policies.

Profits of quoted UK hotels companies grew by 27 per cent in 1994, according to Kleinwort Benson, which is predicting a further 14 per cent growth in 1995. While occupancy in London is at its highest level in a decade, the challenge is in the provinces where supply is higher and demand slacker.

Leisure & hotels

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

In a notoriously cyclical business, companies such as Forte with its acquisition of the Meridien hotel chain from Air France, are trying to reduce their dependency on a single market by expanding overseas.

Forte, the largest hotels company, reported an increase in pre-tax profits in the year to January 31 to £127m, at the top end of analysts' expectations, from a re-stated £111m including exceptional items, or £77m excluding them. But the shares have dipped against worries about accounting changes on deferred tax, and possibly depreciation of freehold properties.

In addition, Forte, which froze its dividend, warned that general levels of demand, particularly from the UK, which accounts for about 80 per cent of the business, were not buoyant.

It has been a busy period for disposals and acquisitions. Ladbroke sold its Texas Homecare retail chain in January to Sainsbury. Thorn EMI, the music and rental group, sold 231 former Rumbelows electricals stores to Escom, the German computer manufacturer and retailer, and acquired the Dillons bookstore chain from the receivers of Pentos. Thorn will report its full-year results in May.

Rank Organisation, the largest diversified leisure group, in January announced it would be reducing its highly profitable stake in the Rank Xerox office equipment joint venture from 49 per cent to 29 per cent in return for £620m. The money will be used to reduce net debt and invest in core activities.

The main shock to the sector came from Centregold, a publisher and distributor of video games, which announces its interims today. Its share price has halved after it forecasted in February a loss of £3.6m in the six months to January 31, and said it would pass its interim dividend.

Customers have been reluctant to buy the old 16-bit cartridge games as games giants, Sony and Sega, are to bring out new compact disc technology later this year.

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COMMODITIES AND AGRICULTURE

MARKET REPORT

London silver prices surge to 6-year highs

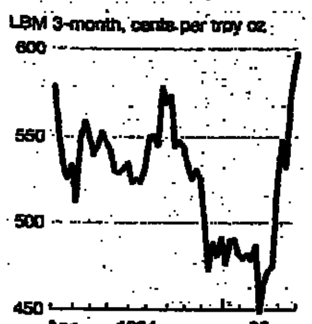
As the market gained further buoyancy from the dollar's continued weakness surging **SILVER** led precious metals prices to fresh highs yesterday. In London cash silver pushed through resistance based on last September's high to exceed $6 a troy ounce for the first time in more than six years. It eased to $59.4½ at the close, but that still represented a rise of 29 cents on the day and 64 cents since the Easter break.

Dealers said the rally had been sparked off at the end of last week by big option-related operations by a US trade house. "This is a typical move by silver," said Rhona O'Connell, metals analyst at stockbrokers T. Hoare and Company. "It has been engineered to some extent but very well judged – it has taken the physical market with it, showing some underlying strength."

Having been "fixed" in the morning at $396.95 an ounce, the highest since September, the London **GOLD** price subsided to $395.55 at the afternoon fixing. By the close, however, it was back up to $396.70, up $2.80 on the day and $7.60 on the week so far. Meanwhile platinum was fixed at a seven month high of $461.25 an ounce before closing $3.85 up on balance at $458.75.

Silver

LBM 3-month, cents per troy oz



Source: Datastream

At the London Metal Exchange the three months delivery **COPPER** price tumbled $60 a tonne by the end of the afternoon "kerb" session and registered further losses during later inter-office trade.

Speculative selling was prompted by copper's drop below recent trading ranges and easing nearby supply tightness. Stop-loss selling orders were triggered below $2,860 a tonne and price movements were again exaggerated in thin volumes, traders said.

London Commodity Exchange **COFFEE** prices were slightly lower in nearby months at the close with the July position failing to sustain an early move above $3,100 a tonne. Traders said the market remained panicky after fears earlier in the week of frost in Brazil, although they said it was far too soon for that.

Compiled from Reuters

Bank of Japan 'an extremely reluctant buyer' of gold

By Kenneth Gooding, Mining Correspondent

Japan's central bank was "an extremely reluctant buyer" of the 65 tonnes of gold it recently acquired from the country's Ministry of Finance, according to the CPM Group, a New York-based metals consultancy.

CPM recalls that the precious metal came from the ill-starred gold coins issued to commemorate Emperor Hirohito's 60 years on the throne. "The Ministry of Finance announced early in 1994 that it would sell the gold, saying at the time that the Bank of Japan did not want the metal. The MoF never sold this gold, apparently for political reasons. It now appears that the Bank of Japan has been convinced by the government into buying the gold. The bank is an extremely reluctant buyer of the gold."

The bank held only 24.2m ounces of gold before this acquisition, CPM points out in its latest Market Timing Advisory. It says, however, that the bank is unlikely to sell the gold outright, though it might lease or "swap" some of it. The bank "has never been a major player in the gold leasing market. This event could stimulate increased interest and willingness to do so".

CPM says that this transfer of gold to the Japanese central bank is bound to encourage gold bulls to point to the way Asian central banks are adding to their gold holdings. "Such rhetoric obviously would overlook the reluctant nature of the Bank of Japan's actions."

The Hirohito gold coins, issued in 1986 and 1987, have been dogged by controversy and scandal. In 1990 Tokyo police claimed that counterfeit Hirohito coins were being imported into Japan and this caused so much uncertainty that many Japanese sold their coins back to the ministry.

Mr Paul Davies, a British coin dealer from whom 3,200 allegedly counterfeit coins were confiscated, insisted that the coins were genuine. No charges were brought against him, instead he is pursuing court actions against the Japanese authorities, seeking the return of the confiscated coins and asking for compensation.

Pakistan faces critics over tax-free farming

Aid donors object to special treatment for feudal landowners, writes **Farhan Bokhari**

Pakistan faces its key western donors at today's "Paris Club" meeting today amid expectations that the unresolved issue of taxing the influential agriculture sector will come up for discussion.

International financial institutions and some of the country's major donors have for several years been urging successive governments to remove an anomaly in the taxation system that exempts landowners from paying any tax on their income, except for nominal charges on irrigation water supply and on part of their agricultural produce.

Many independent economists and development experts are convinced that the strong representation of the feudal lobby in the government and the parliament, enables them to resist the move. According to some accounts, up to two-thirds of the parliamentarians at the centre and in the four provinces represent feudal interests.

Despite efforts by the government of Mr Moeen Qureshi, the former prime minister, to tax the country's rich and powerful feudal landowners, the initiative has made little progress during the 18-month government of Ms Benazir Bhutto. To some extent the government's hands are tied.

This is largely because under Pakistan's constitution of 1973 the tax exemption of agricultural income can only be removed through legislative changes carried out by each of the country's four provinces. The only alternative is a change in the constitution that would allow the government to over-ride earlier constitutional provisions.

Since coming to office the Bhutto government has urged all four provinces to introduce the change, which is made especially urgent by the parlous state of the country's public sector finances. So far the southern province of Sindh and the Northern Frontier province, have said that they will put the issue before their provincial assemblies after cabinet reviews. There are few signs, however, that the two governments, both of which are loyal to Ms Bhutto, are anxious to push the issue.

The coalition government in the south-western province of Baluchistan took the issue to its provincial assembly but then withdrew it on the grounds that "there was a lack of interest among MPs". Senior officials say privately that the government feared a revolt by some of its supporters.

But the biggest setback for Ms Bhutto's government has come from the Punjab, Pakistan's largest province, which accounts for up to 70 per cent of the country's agricultural output. There, the coalition government of Mr Manzoor Wattoo, the chief minister, which is backed by Ms Bhutto's ruling Pakistan People's Party, has so far not moved the issue for debate in the provincial assembly.

Senior government officials in Islamabad do not hide their frustration over the issue, and especially over the attitude of the Punjab. Mr V.A. Jaffarey, the prime minister's adviser on finance, who is leading the Pakistani delegation to Paris says it is "certainly very disappointing that in spite of the clear need, justification and popular demand for taxation on agriculture, the Punjab government should be reluctant to the whole issue". He is convinced, however, that the government is in a good position to defend its record at the Paris meeting. "As far as our donors are concerned and the international financial institutions, they are well aware of the constitutional provisions that its not the federal government who can impose these taxes," he says. "We can only use our powers of persuasion which we are doing."

But other critics are worried that the perception that feudal landowners are using their political clout to avoid paying taxes could hamper the country in its efforts to improve its tax revenues. Mr Hafeez Pasha, former minister of commerce in the Qureshi government and head of the prestigious Institute of Business Administration at Karachi university says: "We have reached a stage where further efforts at taxation will founder on the grounds of inequity. If there is to be an effort at mobilising resources generally, we will have to demonstrate now that an effort is being made to tax the feudal lobby".

In view of the increased international interest in the issue, some influential landowners, including parliamentarians, have begun organising themselves to resist the move. They argue that imposition of an income tax on the agriculture sector would be unfair and impractical. Some landowners say that the agriculture sector pays huge amounts of money in indirect taxes such as those imposed on the movement of food commodities across local districts, and so make a large contribution to the national exchequer.

Many landowners also say that, given the widespread inefficiency and corruption in the country's taxation system, a new income tax would not necessarily improve the state of national finances because most of the money would be squandered by corrupt officials. "The international community only takes account of arguments which are detached from realities. Feudalism is a state of mind and its not going to go away with a new tax," insists one rich landowner.

Brazil's private sector to discuss coffee supply curbs

Brazil's private coffee sector is to hold an informal meeting today to discuss issues including how to participate in a scheme to regulate supply, officials said yesterday, reports Reuters from Rio de Janeiro.

The meeting will take place in Sao Paulo, venue of last night's formal inauguration of Mr Gilson Ximenes as president of the growers' National Coffee Council.

"We are going to take advantage of the inauguration to exchange some ideas," said Mr Oswaldo Aranha, president of the Brazilian Federation of Coffee Exporters. "We are going to try and reach a consensus [on how to limit supply]."

The choice for participating countries is between retention and export quotas, but the private sector has so far failed to reach agreement and at its last meeting decided to leave the choice to the government.

A decision is not expected until after the return of industry and commerce minister Ms Dorothea Werneck, who is expected back from a trip to Europe next Monday.

As well as discussing the retention issue, traders say representatives are likely to consider the limited release of government stocks sought by domestic roasters.

The private sector in February agreed on a plan to sell 250,000 bags (60kg each) a month over 60 days.

Germans and Trinidadians in $250m methanol plant venture

By Canute James in Kingston

German and Trinidadian companies are investing US$250m to build a methanol plant in the Caribbean country.

Production from the 550,000-tonnes-a-year plant, the fourth to be constructed in Trinidad, will give the country a 16 per cent share of the world market for methanol, according to officials.

The plant is being built by Ferrostaal and Helm, both of Germany, with CL Financial of Trinidad and Tobago and the state-owned National Gas Company of Trinidad and Tobago.

It will bring Trinidad and Tobago's rated capacity in methanol to 2.1m tonnes a year.

The plant will use the ICI low pressure methanol process, and will be supplied by locally produced natural gas.

Mr Klaus Von Menges, chairman of Ferrostaal, said the venture made his company's involvement in Trinidad and Tobago a significant percentage of its total overseas investment.

The agreement on the plant reflects the Trinidad and Tobago government's recent decision that the methanol industry should be expanded, said Mr Patrick Manning, the country's prime minister.

Construction of the plant is scheduled to start in September and to be completed in two years. With the increased output, Trinidad and Tobago could move from being the third largest to the largest exporter of methanol, Mr Manning said.

Trinidad and Tobago's methanol production reached 751,300 tonnes in the first nine months of last year, double the output in the first nine months of 1993.

A plant already under construction will start production early next year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1830-1	1842-3
Previous	1838-9	1848-9
High/low	1840/1836	1865/1830
AM Official	1833-4	1850-1
Kerb close		1832-4
Open int.	200,599	
Total daily turnover	39,019	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1715-20	1740-50
Previous	1740-60	1760-80
High/low		1790/1750
AM Official	1735-40	1755-60
Kerb close		1745-55
Open int.	2,408	
Total daily turnover	798	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	596.5-7.5	607.5-8.5
Previous	604-5	614-5
High/low		614/608
AM Official	600-1	613-4
Kerb close		612-3
Open int.	33,241	
Total daily turnover	5,095	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7150-60	7285-90
Previous	7230-40	7365-85
High/low		7430/7270
AM Official	7225-6	7357-62
Kerb close		7310-20
Open int.	50,195	
Total daily turnover	11,399	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5765-75	5790-800
Previous	5790-800	5820-25
High/low	5805/5800	5820/5780
AM Official	5803-5	5815-20
Kerb close		5760-70
Open int.	18,261	
Total daily turnover	3,080	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1050-5	1075-6
Previous	1055-6	1080-2
High/low	1059/1058	1088/1070
AM Official	1059-9.5	1082.5-3.5
Kerb close		1076-8
Open int.	89,609	
Total daily turnover	11,962	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2881-2	2862-3
Previous	2927-9	2897-8
High/low	2902	2898/2840
AM Official	2902-3	2885-6
Kerb close		2840-1
Open int.	233,502	
Total daily turnover	55,975	

■ LME AM Official £/$ rate: 1.6129

LME Closing £/$ rate: 1.6144

Spot:1.6159 3 mths:1.6147 6 mths:1.6117 9 mths:1.6061

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int.	Vol
Apr	129.75	-5.35	134.30	129.75	1,017	184
May	129.40	-5.30	135.00	129.25	17,933	5,524
Jun	128.90	-4.85	131.90	129.00	957	6
Jul	127.25	-5.40	133.20	127.25	12,773	3,682
Aug	126.25	-4.75	129.00	127.70	425	10
Sep	125.25	-4.25	128.50	126.00	3,766	200
Total					43,784	10,890

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	396.50-396.90		
Opening	396.75-397.15		
Morning fix	396.95	245.379	444.187
Afternoon fix	395.55	245.181	441.750
Day's High	398.00-398.40		
Day's Low	394.80-395.20		
Previous close	393.70-394.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.31	6 months	5.29
2 months	5.29	12 months	5.29
3 months	5.29		

	p/troy oz.	US cts equiv.
Silver Fix	366.60	591.50
Spot	371.90	599.55
3 months	378.40	608.85
6 months	392.45	627.70
1 year		

Gold Coins	$ price	£ equiv.
Krugerrand	399-402	247-250
Maple Leaf	408.90-409.40	-
New Sovereign	92-95	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	394.9	-0.5	397.6	395.5	215	35
May	395.9	-0.5	398.2	397.0	450	1
Jun	397.4	-0.4	400.8	396.5	102,137	32,256
Aug	400.8	-0.3	403.8	400.5	23,459	1,498
Oct	404.3	-0.3	405.3	405.3	7,396	1,390
Dec	407.9	-0.2	410.3	407.5	15,670	741
Total					198,188	36,966

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	457.5	-1.7	461.0	460.0	153	44
Jul	457.7	-1.7	464.0	457.5	19,636	1,908
Oct	460.2	-1.7	464.5	462.0	3,357	457
Jan	462.7	-1.7	-	-	1,500	-
Apr	466.2	-1.7	-	-	333	310
Total					24,979	2,719

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	173.00	-2.35	-	-	20	-
Jun	174.00	-2.35	175.00	172.00	5,636	1,027
Sep	176.00	-2.25	176.50	175.00	1,673	772
Dec	177.25	-2.25	177.00	177.00	161	-
Total					7,490	1,799

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	579.0	-7.0	593.0	589.0	23	34
May	579.5	-7.0	606.0	578.0	41,946	31,915
Jun	586.4	-6.9	610.0	585.0	-	-
Jul	592.4	-6.3	609.0	588.0	39,439	15,498
Sep	601.7	-6.0	619.0	598.0	9,903	2,257
Dec	604.8	-5.9	-	-	16,154	3,799
Total					132,264	53,812

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	20.06	-0.05	20.20	19.89	36,977	31,986
Jun	19.87	-0.03	20.05	19.76	104,152	55,422
Jul	19.59	-0.04	19.75	19.50	54,897	18,419
Aug	19.30	-0.06	19.44	19.24	25,272	6,674
Sep	19.00	-0.11	19.13	18.95	19,101	4,153
Oct	18.86	-0.06	18.94	18.77	14,107	3,044
Total					373,388	131,945

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	18.53	+0.17	18.56	18.34	69,678	23,792
Jul	18.14	+0.16	18.16	17.95	20,689	8,895
Aug	17.87	+0.09	17.90	17.70	14,536	3,448
Sep	17.65	+0.06	17.71	17.58	7,634	2,319
Oct	17.54	+0.05	17.58	17.45	5,324	2,011
Nov	17.43	+0.01	17.44	17.43	2,597	255
Total					138,273	44,320

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	49.90	-0.29	50.45	48.75	28,733	12,980
Jun	50.10	-0.26	50.55	50.00	24,501	6,537
Jul	50.35	-0.26	50.75	50.20	19,034	2,755
Aug	50.75	-0.21	50.95	50.65	8,175	1,271
Sep	51.65	+0.06	-	-	5,029	28
Oct	52.35	-0.06	52.35	52.35	4,214	73
Total					122,771	27,083

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	159.75	+1.50	160.50	158.75	29,444	9,890
Jun	158.00	+1.50	158.50	156.75	22,492	7,226
Jul	157.50	+1.00	158.00	156.75	9,658	1,869
Aug	158.50	+1.00	159.00	157.75	3,715	1,019
Sep	159.75	+0.75	159.75	158.75	4,809	195
Dec	165.00	+0.50	165.75	164.50	12,860	1,642
Total					89,795	22,396

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	1.710	+0.031	1.710	1.679	22,482	17,167
Jun	1.760	+0.026	1.760	1.735	22,171	7,589
Jul	1.775	+0.009	1.780	1.760	18,070	5,882
Aug	1.775	+0.003	1.775	1.760	14,998	1,973
Sep	1.775	-	1.775	1.765	14,135	1,210
Oct	1.795	+0.003	1.795	1.790	10,182	393
Total					153,236	34,666

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	63.30	-0.39	64.30	62.75	30,177	15,997
Jun	61.70	-0.28	62.25	61.30	23,850	8,758
Jul	60.15	-0.38	60.50	59.95	12,275	2,388
Aug	59.60	-0.23	59.20	58.65	5,854	287
Sep	57.30	-0.33	57.45	57.30	2,881	391
Oct	56.35	-	-	-	1,724	268
Total					78,874	28,402

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	119.15	+1.50	119.00	118.10	1,383	215
Jul	120.10	+1.35	120.00	119.50	712	121
Sep	104.90	+0.95	105.00	114.25	370	14
Nov	105.90	+0.95	106.00	105.25	2,703	110
Jan	107.90	+0.95	107.70	107.40	960	57
Mar	109.50	+0.85	109.10	109.10	428	2
Total					6,549	522

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	350/4	-2/4	358/0	348/4	11,178	1,926
Jul	347/4	-6/0	356/4	346/4	36,367	6,201
Sep	353/4	-6/0	362/4	353/0	5,891	765
Dec	367/2	-4/4	374/0	365/2	5,025	484
Mar	371/4	-3/4	377/0	370/0	333	31
Jul	340/0	-6/0	346/0	340/0	44	1
Total					58,638	9,408

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	244/2	+0/4	245/0	243/4	63,183	20,465
Jul	251/2	+0/4	252/0	250/2	121,672	25,294
Sep	255/2	+0/2	258/2	254/4	24,831	2,182
Dec	258/6	-	260/0	257/6	115,128	14,491
Mar	265/2	-	268/0	264/2	11,731	196
May	269/2	-0/2	269/4	268/6	793	8
Total					349,222	62,686

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	111.75	+1.00	111.50	111.20	146	16
Sep	103.50	+0.50	103.50	103.50	145	2
Nov	105.00	+1.00	105.00	105.00	577	2
Jan	106.75	+1.00	-	-	206	-
Mar	108.00	+0.35	-	-	106	-
May	108.75	+0.25	109.00	109.00	10	5
Total					1,190	25

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	566/0	-3/0	571/2	565/0	28,364	11,730
Jul	577/6	-3/0	582/4	576/0	57,848	26,853
Aug	582/4	-2/6	587/2	581/2	8,262	372
Sep	585/6	-2/4	590/0	584/0	4,733	488
Nov	592/4	-2/6	597/4	591/0	36,471	9,086
Jan	600/4	-3/2	605/2	599/0	2,535	105
Total					142,287	49,833

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	25.17	-0.04	25.39	25.15	20,975	7,715
Jul	24.89	+0.06	25.02	24.83	30,311	14,178
Aug	24.90	+0.05	25.02	24.85	8,457	2,522
Sep	24.92	+0.09	24.98	24.85	8,134	1,249
Oct	24.83	+0.06	24.90	24.75	6,127	377
Dec	24.70	+0.06	24.75	24.64	14,300	2,186
Total					89,606	28,257

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	163.3	-2.0	165.7	162.0	24,121	7,293
Jul	168.3	-2.2	170.9	167.1	37,278	10,002
Aug	170.6	-1.9	172.9	169.5	9,154	372
Sep	172.4	-2.1	175.0	171.5	6,499	629
Oct	174.3	-1.9	176.5	173.3	9,291	867
Dec	177.7	-1.8	179.8	176.5	12,400	1,640
Total					98,663	20,874

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	312.5	-4.5	320.0	315.0	191	20
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	250.0	-	-	-	-	-
Apr	128.5	-4.0	130.0	128.0	198	70
Total					391	98

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	2298	+3	2305	2295	698	34
May	2315	+5	2325	2308	1,116	87
Jun	2204	-4	2215	2205	209	32
Jul	2015	-	2025	2020	1,062	26
Oct	1991	-1	1990	1985	1,107	39
Jan	1910	+2	1910	1910	403	5
Total					4,583	223

	Close	Prev
BFI		2256

Nuts and Seeds

1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,400 FOT MEP; market steady. US almonds (shelled) 23/25 NPSSR 5,300, FAS California; steady. Indian cashews, raw, W320, steady. Spot supplies still at 5,200 FOT MEP. Turkish hazelnut kernels, 13/15 standard 1s 3,400 C&F MEP, down slightly. New crop estimated at 450,000 to 500,000 tonnes, with prices at around 3,700 C&F MEP. Pumpkin seed: Chinese snow white, long 1,850 FOT. Russian S/W, round type not available, long at 2,425 FOT. Chinese pine kernels, Grade A: prices expected to rise again after the fair in Guangzhou. US sunflower seeds: Kansas, round, 850 CIF MEP; N Dakota, round, 780 CIF MEP. Turkish apricot prices weaker; new crop put at 40,000 to 45,000 tonnes, still affected by cool conditions.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	933	-3	937	930	16,906	1,660
Jul	960	-4	967	957	22,064	1,012
Sep	979	-6	987	980	17,588	642
Dec	1003	-4	1009	1002	23,322	135
Mar	1023	-4	1028	1023	25,052	160
May	1033	-4	1033	1033	6,294	250
Total					122,399	3,989

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1382	+15	1383	1363	6,333	3,140
Jul	1381	+13	1384	1364	30,131	13,911
Sep	1398	+10	1398	1382	13,179	1,208
Dec	1426	+10	1429	1415	9,482	871
Mar	1458	+10	1454	1454	6,019	12
May	1477	+10	-	-	4,543	-
Total					76,878	19,142

■ COCOA (ICCO) (SDR's/tonne)

Apr 18	Price	Prev. day
Daily	917.73	897.43

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	3134	-9	3169	3115	10,800	2,748
Jul	3089	-8	3122	3065	12,331	2,350
Sep	3053	+16	3075	3025	8,899	743
Nov	3028	+13	3050	3003	1,693	179
Jan	3002	+12	2995	2995	319	10
Mar	2980	+5	-	-	6	-
Total					34,146	6,028

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	168.60	+3.05	169.50	165.80	5,542	5,902
Jul	172.60	+4.85	173.25	169.00	14,085	6,909
Sep	174.25	+4.25	174.70	170.75	6,981	1,209
Dec	174.25	+4.50	175.00	171.50	5,464	244
Mar	176.00	+5.25	176.00	176.00	1,656	117
May	175.90	-	-	-	61	3
Total					33,792	14,387

■ COFFEE (ICO) (US cents/pound)

Apr 18	Price	Prev. day
Comp. daily	158.39	156.65
15 day average	166.99	156.88

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	13.56	-	-	-	1,267	-
Jul	13.90	-	-	-	2,380	-
Oct	12.58	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	12.03	-	-	-	2,000	-
Total					5,627	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	334.20	+1.50	334.3	328.4	12,482	1,108
Oct	308.30	+0.50	308.5	303.8	4,236	579
Dec	300.70	+0.40	301.0	296.9	2,194	115
Mar	300.30	-0.40	301.4	297.0	1,231	30
May	300.00	-0.60	297.2	297.0	290	5
Aug	299.70	-	304.1	297.8	89	45
Total					28,544	1,827

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	12.82	+0.07	12.85	12.65	38,578	8,477
Jul	11.77	+0.05	11.82	11.52	57,378	9,419
Oct	11.15	+0.04	11.18	10.93	34,613	3,894
Mar	10.94	+0.05	11.01	10.75	18,571	2,579
May	10.90	+0.10	10.89	10.70	5,284	759
Jul	10.80	+0.12	10.80	10.89	5,069	470
Total					160,389	25,835

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	111.50	+2.00	111.50	110.80	6,694	2,090
Jul	103.37	+2.00	103.37	101.80	18,264	4,879
Oct	83.33	+1.61	83.40	81.80	7,767	928
Dec	78.69	+1.39	78.87	77.80	25,140	2,168
Mar	79.85	+1.75	79.85	79.00	7,212	137
May	80.30	+1.70	80.30	79.30	2,361	109
Total					68,504	10,412

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.80	-0.15	111.00	109.55	8,147	612
Jul	115.30	+0.15	115.75	113.00	11,850	737
Sep	118.40	+0.15	118.45	117.00	8,430	262
Nov	112.75	+1.00	112.75	111.80	2,111	12
Jan	113.40	+0.25	113.00	112.00	2,721	4
Mar	115.40	+0.25	-	-	813	-
Total					32,449	1,627

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 19	Apr 18	month ago	year ago
2304.8	2300.5	2321.6	1819.3

■ CRB Futures (Base: 1967=100)

Apr 18	Apr 13	month ago	year ago
238.82	238.00	235.79	220.21

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	66.650	-0.500	67.400	66.600	5,580	4,531
Jun	62.250	-0.425	62.850	61.775	31,031	11,422
Aug	60.750	-0.150	61.175	60.500	10,987	3,429
Oct	62.125	-0.325	62.750	62.000	6,582	2,802
Dec	63.375	-0.550	63.875	63.350	3,755	694
Feb	64.300	-0.500	64.750	64.300	2,512	49
Total					61,473	23,109

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	38.475	+0.550	38.525	37.900	556	582
Jun	44.075	+0.050	44.450	43.700	12,786	3,058
Aug	43.250	-	43.550	42.925	4,581	488
Oct	40.475	-0.025	40.700	40.250	3,487	210
Dec	41.125	-0.125	41.450	41.050	3,586	110
Feb	42.050	+0.125	42.175	41.800	1,122	36
Total					26,839	4,496

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	41.150	+0.375	41.750	40.600	3,204	1,516
Jul	40.725	+0.375	41.200	40.350	3,340	1,282
Aug	38.125	+0.025	38.250	38.125	764	194
Feb	50.950	-	51.000	50.050	166	10
Mar	49.600	+0.300	50.200	-	19	1
May	51.500	-	-	-	-	-
Total					7,494	3,002

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1800	116	152	81	124
1850	92	130	106	150
1900	72	110	135	179
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2850	71	67	79	146
2900	50	51	108	179
2950	34	-	142	-
■ COFFEE LCE	May	Jul	May	Jul
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
■ COCOA LCE	May	Jul	May	Jul
900	33	75	-	15
925	10	59	2	24
950	-	44	17	34
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	165	136	14	35
1700	124	105	26	54
1750	93	83	43	82

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)

		+or-
Dubai	$17.77-7.80w	+0.06
Brent Blend (dated)	$18.69-8.73	+0.21
Brent Blend (Jun)	$18.44-8.46w	+0.10
W.T.I. (1pm est)	$19.92-9.94w	+0.12

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$197-198	
Gas Oil	$165-166	+2
Heavy Fuel Oil	$107-108	-1
Naphtha	$169-170	+1
Jet fuel	$175-176	+2
Diesel	$168-170	+3.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

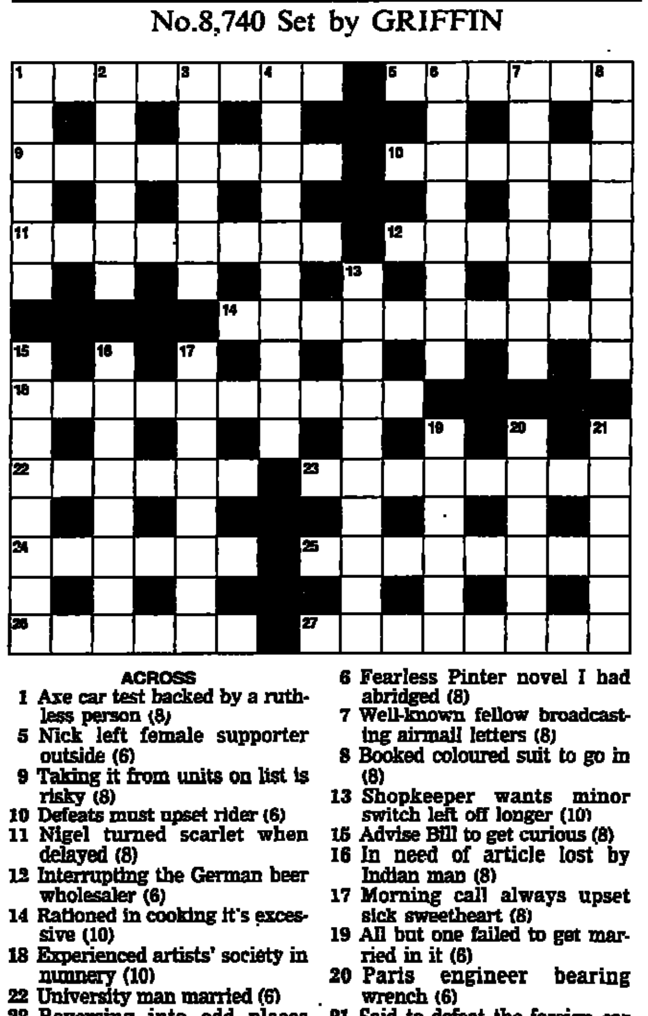
Gold (per troy oz)♣	$396.7	+2.8
Silver (per troy oz)♣	594.50c	+29.0
Platinum (per troy oz.)	$458.75	+3.85
Palladium (per troy oz.)	$170.25	-3.25
Copper (US prod.)	140.0c	-1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.21m	
Tin (New York)	275.50c	-1.0
Cattle (live weight)†	123.31p	+0.16*
Sheep (live weight)†♠	134.28p	+3.53*
Pigs (live weight)†	88.91p	-0.35*
Lon. day sugar (raw)	$327.10	+1.10
Lon. day sugar (wte)	$346.00	+8.50
Tate & Lyle export	£315.00	+1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (May)♥	118.0p	-0.5
Rubber (Jun)♥	117.5p	-0.5
Rubber (KL RSS No1)	451.5m	-5.0
Coconut Oil (Phil)§	$597.5y	-7.5
Palm Oil (Malay.)§	$607.5q	-12.5
Copra (Phil)§	$403.0u	
Soyabeans (US)	£169.0	+0.5
Cotton Outlook'A' Index	114.20c	
Wooltops (64s Super)	526	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May w Jun. z Apr. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,740 Set by GRIFFIN



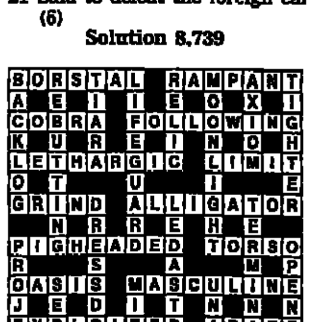
ACROSS

1 Axe car test backed by a ruthless person (8)
5 Nick left female supporter outside (6)
9 Taking it from units on list is risky (8)
10 Defeats must upset rider (6)
11 Nigel turned scarlet when delayed (8)
12 Interrupting the German beer wholesaler (6)
14 Rationed in cooking it's excessive (10)
18 Experienced artists' society in nunnery (10)
22 University man married (6)
23 Reversing into odd places look and give way (8)
24 Islands without trade standards (6)
25 Unaware of some sign or anticipating nothing (8)
26 Tie tent with missing pole to girl's (6)
27 Show rebuilt PE centre (8)

DOWN

1 Groom let us admit love tangle (6)
2 Lost in thought many heard you croon (6)
3 Second day in Holyhead flat is paradise! (6)
4 Desert mad ruler with cape (10)
6 Fearless Pinter novel I had abridged (8)
7 Well-known fellow broadcasting airmail letters (8)
8 Booked coloured suit to go in (8)
13 Shopkeeper wants minor switch left off longer (10)
15 Advise Bill to get curious (8)
16 In need of article lost by Indian man (8)
17 Morning call always upset sick sweetheart (8)
19 All but one failed to get married in it (6)
20 Paris engineer bearing wrench (6)
21 Said to defeat the foreign car (6)

Solution 8,739



INTERNATIONAL CAPITAL MARKETS

Trade figures help lift long-dated US Treasuries

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices were mixed through most of the morning yesterday as news of a smaller-than-expected February trade deficit helped the long end of the market, while rumours that the Bank of Japan would stop buying shorter-term securities hurt that end of the market.

Near midday the benchmark 30-year Treasury was up 1/32 at 102 22/32 to yield 7.391 per cent while at the short end of the market, the two-year note lost 1/32 at 100 1/32, yielding 6.483 per cent.

Early in the morning the Commerce Department announced that February's trade deficit fell to $9bn from a downwardly revised $11.95bn in January. The consensus forecast from economists had been $10.2bn. Especially encouraging to the market was another improvement in the deficit with Japan. The US-Japanese trade gap narrowed to $4.7bn in February from $4.9bn in January.

GOVERNMENT BONDS

The trade figures did little to help the dollar, however. Near midday the US currency was off its levels before the figures were released, although higher than it had been late Tuesday in New York trading.

Near noon the US currency was trading at Y81.09 and DM1.31.3570, against Y80.63 and DM1.3538 late on Tuesday. The dollar was also up from the post-war war low of Y79.85 it had set against the yen on Japanese markets.

The yield curve, which had steepened as central banks bought short-term securities to bolster the dollar and traders speculated that such buying would continue, fell back modestly yesterday.

Analysts attributed some of the flattening to traders unwinding positions based on a strength at the short end of the maturity spectrum. The spread between the yield on two-year notes and the long bond narrowed to 91 basis points from 97 basis points late Tuesday.

■ European government bonds took their cues from the foreign exchange markets, where the dollar and many European currencies came under renewed pressure.

Even German bonds, which have recently benefited from the D-Mark's strength, fell by about ½ point, partly damped by weaker US Treasuries and also capped by technical resistance on the futures contract.

The June bund future on Liffe closed at 92.35, down 0.47 point on the day, after failing to breach tough resistance at 93.00.

The short end of the yield curve, on the other hand, was again lifted by D-Mark strength, causing the curve to steepen.

Shorter maturities have been supported by the Bundesbank's recent rate cut and hopes that continuing currency strength might make further easing possible.

The fact that the minimum rate at the Bundesbank's allocation of securities repurchase agreements rose one basis point to 4.51 per cent did nothing to dent those hopes.

"The hard-currency markets' curves have been steepening while the soft-currency markets have all seen yield curve flattening" as their weakening currencies have pushed short rates higher, noted Mr Graham McDevitt, bond strategist at Paribas Capital Markets.

According to Mr Kirit Shah, bond strategist at First Chicago, the steepness of the German curve has created a very attractive environment for trading accounts, enabling them to borrow three-month money around 4.60 per cent and buy bunds yielding 7.11 per cent – a pick-up of 251 basis points.

■ UK gilts slid lower on fears that sterling weakness would trigger another base rate increase. These worries were fuelled by yesterday's release of the minutes from the March 8 monetary meeting between Mr Eddie George, Bank of England governor, and Mr Kenneth Clarke, chancellor of the exchequer, which showed Mr George saying there might be a need to consider raising rates if sterling weakness persisted.

This hit prices across the curve, with the short end depressed by fears of a near-term rate increase and the long end weakened by inflation concerns. The long gilt future fell 27/32 to 103 13/32, while the June three-month eurosterling future fell 0.10 point to 92.86.

■ French bonds had another bad day, with the June Notionnel future on Matif falling by 0.54 point to 112.54 as the French franc weakened further against the D-Mark ahead of Sunday's first round of presidential elections.

Italian bonds fell on currency woes and fears that Friday's April inflation data might spark another rate rise. The BTP future on Liffe fell 0.26 point to 93.04.

Reuters stands by Globex futures trading system

By Laurie Morse in Chicago

Reuters, the UK-based information company, is to continue with Globex, the computerised futures trading system, in spite of disappointing volumes and associated revenues.

The system, conceived in 1987 and launched in June 1992, has found limited application and encountered aggressive competition from many of the futures exchanges it had been expected to serve.

London's Liffe has chosen to rely on its own limited after-hours trading system instead of joining Globex. A year ago the Chicago Board of Trade dropped the Reuters venture to launch its own system. Both exchanges said they needed more management control than Globex allowed. They have announced their own cross-market link that will further erode Globex's influence.

The New York Mercantile Exchange also shunned Globex, developing a parallel system, called Access, to facilitate worldwide energy derivatives trading.

The only exchanges that continue to list their contracts for after-hours trading on the Reuters system are Paris' Matif and the Chicago Mercantile Exchange. Last year, Reuters entered a two-year contract with these exchanges that gave the UK group the option to terminate the arrangement if the CME failed to generate average Globex volume of 25,000 contracts a night by the end of this month.

However, CME's Globex volume has averaged less than 6,000 contracts a day this year. So far this month, average daily volume of all contracts traded on Globex (the CME and the Matif combined) has been less than 25,000.

Reuters and its exchange competitors now believe demand for after-hours trading in most derivatives products is limited. Traders say the best use for these systems is in times of turmoil, when positions must be adjusted overnight.

SBC prepares for Telecom Italia demerger

By Conner Middelmann

Anticipating the imminent demerger of Telecom Italia's mobile phone division, Swiss Bank Corporation is launching 400m units each of so-called A and B-units which will entitle investors to receive shares in Telecom Italia and Telecom Italia Mobile once the demerger takes place.

Following the planned demerger, the A-units will relate to the ordinary shares of face value L1,000 each in Telecom Italia, the landline unit. The B-units relate to the (as yet unissued) ordinary shares of face value L50 each in Telecom Italia Mobile, the cellular phone company.

If the proposed demerger does not happen by December 1 1995, holders of equal numbers of A and B-units will be entitled to Telecom Italia ordinary shares of face value L1,000.

Council of Europe D-Mark offer flounders

By Antonia Sharpe

Aggressive pricing and a sharp drop in the German government bond (bund) market caused the Council of Europe's D-Mark offering to flounder yesterday.

ABN Amro and Trinkaus und Burkhardt won the mandate to lead-manage the DM500m issue of five-year eurobonds after a round of competitive bidding.

INTERNATIONAL BONDS

Their bid to price the deal at a spread of 16 basis points over the yield on German government five-year notes was much tighter than other bids of between 18 to 20 basis points.

Syndicate managers said that had the bund market remained firm, the deal would have worked because the aggressive pricing would have been countered by the quality of the issuer. But in the two hours between pricing and launching the deal, the bund market fell by around a half-point.

The yield on the underlying German government note rose from 6.4 per cent to 6.46 per cent which caused the spread on the eurobonds to shrink to about 13 basis points. This made the bonds look even more expensive.

The three biggest German banks and other mainstream D-Mark players declined to join the syndicate because of the ill-timed launch.

However, he said although the absence of the big three German banks was regrettable, the bonds were targeted at retail continental buyers outside Germany. About 24 mainly smaller banks joined the syndicate.

In spite of efforts by the joint leads to keep the spread at around 15 basis points so that co-lead managers could break even, returns from the co-leads were inevitable. However, ABN said it had sold more bonds than it had bought back. By the end of the afternoon, the bonds were trading at 99.53, down from a fixed re-offer price of 99.90.

Syndicate managers said although the Council of Europe's deal could hang over the market, this should not deter other issuers from raising D-Marks in the near future. Belgium is expected to launch a DM1bn offering of eurobonds next week with a maturity of between seven and 10 years. The spread on the bonds is likely to be in the high 20s.

Grand Metropolitan, UK consumer group, launched a 40-year Yankee bond issue which met sufficient demand to be increased from an initial $300m to $400m. The bonds pay a 7.45 per cent coupon and were issued at par. They have a put option at 10 years and the deal was priced to yield 38 points over the 10-year Treasury.

The group is using the money to refinance short-term debt taken on for the purchase of PET, the US foods group. A swap into floating rate money for 10 years is tied to the deal. Lehman Brothers had the books and Goldman Sachs was co-lead.

Meanwhile, Japan Finance Corp for Municipal Enterprises raised $300m through an offering of 10-year Yankee bonds priced to yield 33 basis points over Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Council of Europe	500	5.375	99.90R	May.2000	0.25R	+16(7%-00)	ABN Amro/ Trinkaus
LUXEMBOURG FRANCS							
Colgate-Palmolive Co.	2bn	7.50	102.375	Jun.2001	1.875	-	Crédit Européen
Belgelectric Finance(a)	2bn	7.00	102.05	Jul.1998	1.375	-	BCEE
ECUS							
Bank of Tokyo Trust Co.★	45	6.50	100.07	Apr.1996	0.10	-	Yamaichi Intl.(Europe)
AUSTRIAN SCHILLINGS							
Eurofima	2bn	7.25	100.15	May.2005	1.875	-	Creditanstalt-Bankverein

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon.

Bear Sterns sharply lower in third quarter

By Maggie Urry in New York

Bear Stearns, the US investment bank, recorded sharply lower earnings in the third quarter of its financial year, to the end of March, over the same period in 1994, but showed a recovery from the previous quarter.

Net income in the quarter was $82.7m, down from $116m in the same quarter last year, but higher than the $32.9m made in the second quarter, to the end of December.

For the first nine months, net income was $151m, a 57 per cent fall on the $355m reported for the comparable period.

Earnings per share were affected by a 5 per cent stock dividend announced yesterday on top of the regular 15 cents quarterly cash dividend. Adjusting for that, earnings per share were 60 cents in the third quarter, compared with 84 cents, and for the first nine months were $1.05, against $2.53.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.3200	–0.590	9.77	9.90	10.36
Austria		7.500	01/05	100.7300	–0.210	7.38	7.42	7.67
Belgium		6.500	03/05	90.2700	–0.410	7.95	7.86	8.36
Canada *		9.000	12/04	101.9500	–0.750	8.69	8.73	8.74
Denmark		7.000	12/04	88.5500	–0.350	8.80	8.78	9.22
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.2200	–0.650	7.90	7.77	8.22
Germany Bund		7.375	01/05	101.7700	–0.500	7.11	7.11	7.42
Ireland		8.250	10/04	83.3500	–0.500	8.83	8.82	8.80
Italy		9.500	01/05	80.2000	–0.170	13.17†	12.93	13.21
Japan	No 119	4.800	06/99	106.8510	–0.390	2.58	2.80	3.43
	No 174	4.600	09/04	109.2110	–1.030	3.32	3.53	4.13
Netherlands		7.750	03/05	103.7200	–0.400	7.20	7.23	7.57
Portugal		11.875	02/05	98.0000	+0.250	12.22	12.22	11.66
Spain		10.000	02/05	87.3300	–0.700	12.25	11.94	12.41
Sweden		6.000	02/05	68.5140	–0.440	11.52	11.25	11.08
UK Gilts		6.000	08/99	91–31	–14/32	8.26	8.24	8.66
		8.500	12/05	100–15	–25/32	8.43	8.45	8.72
		9.000	10/08	104–19	–24/32	8.42	8.45	8.70
US Treasury *		7.500	02/05	103–02	–19/32	7.06	7.12	7.41
		7.625	02/25	102–24	–18/32	7.39	7.40	7.59
ECU (French Govt)		6.000	04/04	86.0100	–0.420	8.26	8.24	8.77

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.73	Two year	6.48
Prime rate	9	Two month	5.78	Three year	6.58
Broker loan rate	6½	Three month	5.79	Five year	6.81
Fed.funds	5 13/16	Six month	5.96	10-year	7.06
Fed.funds at intervention	-	One year	6.17	30-year	7.38

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.92	112.52	-0.56	112.98	112.52	138,491	116,614
Sep	112.46	112.14	-0.48	112.60	112.28	1,094	7,428
Dec	112.20	111.88	-0.48	112.20	112.20	2	963

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
111	-	1.90	-	0.07	0.36	-
112	-	1.20	1.80	0.23	0.63	1.56
113	0.24	0.64	1.27	0.67	1.06	2.02
114	0.05	0.27	0.85	-	-	-
115	0.02	0.11	0.54	-	-	-

Est. vol. total, Calls 17,620 Puts 18,589. Previous day's open int., Calls 182,755 Puts 212,489.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.84	92.35	-0.47	93.01	92.34	147211	188921
Sep		91.79	-0.47			0	5171

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9200	0.42	0.82	0.71	1.01	0.07	0.47	0.92	1.22
9250	0.12	0.54	0.50	0.78	0.27	0.69	1.21	1.49
9300	0.02	0.34	0.34	0.59	0.67	0.99	1.55	1.80

Est. vol. total, Calls 20186 Puts 8461. Previous day's open int., Calls 175412 Puts 156979

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.09	93.04	-0.26	93.59	92.83	35090	43918
Sep		92.39	-0.26			0	139

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9300	1.30	2.07	1.26	2.68
9350	1.05	1.85	1.51	2.96
9400	0.83	1.66	1.79	3.27

Est. vol. total, Calls 1821 Puts 610. Previous day's open int., Calls 44837 Puts 35344

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.10	81.93	-0.66	82.35	81.78	54,547	50,600

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-08	103-13	-0-27	104-08	103-12	52713	90145
Sep	103-15	103-02	-0-27	103-20	103-06	308	145

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
103	0-34	1-09	1-17	1-50	0-08	0-47	1-13	1-48
104	0-05	0-41	0-53	1-19	0-43	1-15	1-49	2-16
105	0-01	0-20	0-33	0-59	1-39	1-58	2-29	2-55

Est. vol. total, Calls 4417 Puts 3934. Previous day's open int., Calls 38826 Puts 82212

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.44	83.20	-0.30	83.46	83.20	1,066	7,548

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-20	104-17	-	104-23	104-11	412,938	350,452
Sep	103-30	104-02	-	104-08	103-30	4,162	19,038
Dec	103-15	103-20	-	103-24	103-15	1,012	1,572

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	116.55			116.71	116.30	3344	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 19	Day's change %	Tue Apr 18	Accrued interest	xd adj. ytd		Low coupon yield Apr 19	Low Apr 18	Low Yr. ago	Medium coupon yield Apr 19	Medium Apr 18	Medium Yr. ago	High coupon yield Apr 19	High Apr 18	High Yr. ago
1 Up to 5 years (23)	118.99	–0.24	119.27	0.93	4.27	5 yrs	8.29	8.19	7.57	8.37	8.27	7.77	8.51	8.41	7.82
2 5-15 years (21)	141.01	–0.89	142.25	1.88	4.13	15 yrs	8.39	8.27	7.84	8.44	8.33	7.99	8.65	8.54	8.30
3 Over 15 years (9)	157.56	–0.83	158.88	1.71	4.74	20 yrs	8.34	8.26	7.85	8.44	8.33	7.99	8.59	8.50	8.17
4 Irredeemables (6)	182.72	–0.46	183.56	4.16	1.47	Irred.†	8.38	8.33	8.04						
5 All stocks (59)	137.50	–0.53	138.39	1.53	4.31										

Index-linked							Inflation 5% Apr 19	Apr 18	Yr. ago	Inflation 10% Apr 19	Apr 18	Yr. ago
6 Up to 5 years (2)	191.80	–0.25	192.27	0.24	2.57	Up to 5 yrs	3.33	3.18	3.31	1.79	1.69	2.31
7 Over 5 years (11)	177.52	–0.38	178.20	0.63	1.73	Over 5 yrs	3.82	3.79	3.44	3.61	3.58	3.25
8 All stocks (13)	178.09	–0.37	178.75	0.59	1.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 19	Apr 18	Apr 13	Apr 12	Apr 11	Yr ago	High*	Low*
Govt. Secs. (UK)	92.12	92.33	92.31	92.21	91.91	95.67	92.33	90.22
Fixed Interest	111.26	111.33	110.91	110.84	110.78	115.41	111.33	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 18	Apr 13	Apr 12	Apr 11	Apr 10
Gilt Edged bargains	76.2	72.6	77.6	82.0	74.2
5-day average	78.5	80.0	84.1	87.8	92.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	93⅛	93½	-⅛	7.67
African Dev Bk 7⅞ 23	500	91⅛	91⅝	-⅛	8.19
Alberta Province 7⅝ 98	1000	101¼	102	-⅛	7.03
United Kingdom 7¼ 97	5500	103⅛	103¼	-⅛	5.74
Volkswagen Intl Fin 7 03	1000	97⅛	97⅝	-½	7.48
World Bank 0 15	2000	22⅛	22½	-⅛	7.57
World Bank 5⅞ 03	3000	91⅜	91½	-⅛	7.25
Abbey Natl Treasury 8 03 £	1000	93¾	94	-½	9.14
Alliance Leics 11⅜ 97 £	100	105⅛	105¾	-¼	8.40
British Land 8⅞ 23 £	150	88¾	89	-¼	10.34
Denmark 6¾ 98 £	800	95	95¼	-⅜	8.51

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

Other Fixed Interest

[illegible]

مكتا من الاصل

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and sterling recover from historic lows

The dollar and sterling both bounced back yesterday after sharp overnight falls in Tokyo saw the two currencies reach record lows, *writes Philip Gawith*.

The recovery appeared to be more a function of technical factors than any re-assessment of market outlook.

The US currency showed little response to a very good set of trade figures, a symptom of the extent to which market sentiment remains negative.

The dollar closed in London at Y81.08, up from the postwar low of Y79.75 reached in Tokyo, but off the high for the day of Y81.65. Against the D-Mark it closed at DM1.3542.

Sterling continued to trade on the dollar's coat-tails. It recovered from its record early low of DM2.1790 to close at DM2.1896, down from an intraday high of DM2.20.

Elsewhere, the Franc remained a focus of attention in the run-up to Sunday's presidential elections. It finished at FFr3.548, from FFr3.52, against the D-Mark. The lira also weakened, to finish at L1,264, from L1,245, against the D-Mark.

■ The short term behaviour of the dollar remains mysterious. Few traders and analysts can, with confidence, predict what the next "big figure" is going to be – literally, whether the dollar will move up or down over a 24 hour time horizon.

After being heavily sold overnight in New York and Tokyo, European markets came in and tried to take the dollar lower, only to "fail miserably" in the words of one observer.

■ Pound in New York

Apr 19	—Latest—	— Prev. close —
£ spot	1.6165	1.6159
1 mth	1.6168	1.6158
3 mth	1.6151	1.6146
1 yr	1.6022	1.6028

Indeed, the dollar rallied by around Y1½ during the European morning from around Y80 to Y81.5 – a significant revaluation of around 2 per cent in one morning.

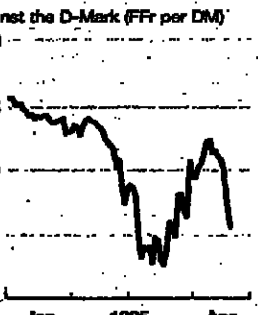
Also, curious was the way in which the market shrugged off a very good set of US trade figures, which provided some fundamental grounds for continuing the rally.

Mr Steve Barrow, economist at Chemical Bank in London, said: "The market hangs on every word of the US authorities, but doesn't seem to feel that US trade performance with Japan is a big factor in how the US conducts its trade relations with Japan."

The dollar's bilateral trade deficit with Japan, which lies at the hear of trade tensions between the two countries, fell for the fourth consecutive month.

Short-term idiosyncracies aside, there is as yet little sign in the market of anybody calling a turn in the dollar. The more abrasive tone of trade rhetoric from some senior US officials, particularly Mr Mickey Kantor and Mr Ron Brown, is certainly not helping, and at the very least negates the by-now frequent affirmations from Mr Robert Rubin, the treasury secretary, that the US favours a stronger dollar.

French franc



Source: FT Graphite

Japanese financial officials and politicians continued their increasingly frantic efforts to say "something must be done", but their utterances are so frequent as to carry little weight with the market.

German and Japanese officials did confirm that currencies would be discussed at next week's G7 meeting in Washington.

Whether anything substantial will emerge from such talks must be doubtful. It is not clear that this group of countries has either the will or the means to contest the judgments of the currency markets.

■ The release of the minutes of the March 8 monthly monetary meeting in England caused a flutter in UK financial markets. Attention was drawn to the weakness of sterling, with Mr Eddie George, governor of the Bank of England saying a policy response might be required "if the situation were to deteriorate."

Since that meeting the trade weighted value of sterling has fallen by around 3 per cent to 83.9 where it closed yesterday. This would appear to provide strong grounds for expecting rates to rise after the next monthly monetary meeting on May 5.

Against this is the fact that the trade weighted index was not much above current levels when the last meeting took place on April 5, and rates were left on hold.

The June short sterling contract closed ten basis points lower at 92.86. Traders said the shifts in the market, reflected across all contracts, showed fears that rates might have to rise to defend sterling. The June contract is discounting a 50 basis point rise in rates from current levels.

The Bank of England cleared a £600m money market shortage at established rates.

■ OTHER CURRENCIES

Apr 19	£	$
Hungary	188.882 - 188.824	116.710 - 116.760
Iran	2822.01 - 2828.88	1745.00 - 1750.00
Kuwait	0.4672 - 0.4690	0.2890 - 0.2900
Poland	3.7697 - 3.7762	2.3330 - 2.3350
Russia	8160.39 - 8161.71	5046.00 - 5049.00
U.A.E.	5.9386 - 5.9405	3.6725 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Apr 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.4056	-0.1146	978 - 134	15.5810	15.3323	15.3825	1.8	15.3353	1.8	-	-	108.5
Belgium	(BFr)	45.0924	-0.2684	551 - 296	45.4900	44.8650	45.0524	1.1	44.9524	1.2	44.4174	1.5	111.4
Denmark	(DKr)	8.6546	-0.0304	491 - 601	8.6871	8.5950	8.6621	-1.0	8.6656	-0.5	8.634	0.2	110.8
Finland	(FM)	6.8047	-0.0296	992 - 102	6.8310	6.7580	-	-	-	-	-	-	87.8
France	(FFr)	7.7697	+0.0038	668 - 726	7.7877	7.6846	7.7834	-2.1	7.8024	-1.7	7.7724	0.0	110.0
Germany	(DM)	2.1896	-0.0163	886 - 905	2.2020	2.1782	2.1865	1.7	2.1791	1.9	2.1376	2.4	114.8
Greece	(Dr)	357.138	-1.904	956 - 320	359.630	354.646	-	-	-	-	-	-	69.5
Ireland	(I£)	0.9735	-0.0043	723 - 746	0.9760	0.9694	0.9731	0.5	0.9729	0.2	0.9732	0.0	97.7
Italy	(L)	2768.05	+20.65	583 - 026	2773.77	2726.24	2776.45	-4.5	2798.5	-4.4	2879.4	-4.0	63.1
Luxembourg	(LFr)	45.0924	-0.2684	551 - 296	45.4900	44.8650	45.0524	1.1	44.9524	1.2	44.4174	1.5	111.4
Netherlands	(Fl)	2.4519	-0.0175	509 - 528	2.4643	2.4393	2.4488	1.6	2.4405	1.9	2.3957	2.3	111.4
Norway	(NKr)	9.8814	-0.0365	752 - 876	9.9231	9.8086	9.8727	1.1	9.8491	1.3	9.7218	1.6	99.8
Portugal	(Es)	231.953	-1.177	822 - 084	233.097	230.795	231.088	4.5	234.259	-4.0	-	-	97.1
Spain	(Pta)	198.808	+0.968	684 - 932	199.386	195.902	199.308	-3.0	205.828	-14.1	204.789	-3.0	79.0
Sweden	(SKr)	11.7942	+0.0215	835 - 048	11.8205	11.6343	11.7966	-0.2	11.801	-0.2	11.8201	-0.2	76.1
Switzerland	(SFr)	1.8055	-0.0135	043 - 067	1.8187	1.7984	1.8014	2.7	1.7919	3.0	1.7418	3.5	115.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.9
Ecu	-	1.2015	-0.0037	008 - 022	1.2035	1.1983	1.2013	0.2	1.2016	0.0	1.1946	0.6	-
SDR†	-	1.01624	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6166	+0.0041	163 - 172	1.6193	1.6086	-	-	-	-	-	-	-
Brazil	(R$)	1.4738	+0.0166	710 - 765	1.4769	1.4649	-	-	-	-	-	-	-
Canada	(C$)	2.2163	+0.0072	154 - 172	2.2249	2.2057	2.2197	-1.9	2.2241	-1.4	2.2249	-0.4	82.1
Mexico	(New Peso)	9.9033	-0.1687	607 - 458	9.9599	9.8343	-	-	-	-	-	-	-
USA	($)	1.6169	+0.0041	165 - 172	1.6195	1.6086	1.6168	0.1	1.6157	0.3	1.6034	0.8	86.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1946	+0.0188	934 - 958	2.1962	2.1934	2.1972	-1.4	2.2017	-1.3	2.2188	-1.1	78.1
Hong Kong	(HK$)	12.4999	+0.0309	964 - 034	12.5202	12.4364	12.4959	0.4	12.4885	0.4	12.4196	0.6	-
India	(Rs)	50.7610	+0.1335	419 - 801	50.8360	50.5100	-	-	-	-	-	-	-
Israel	(Shk)	4.7626	+0.0131	575 - 677	4.7704	4.7305	-	-	-	-	-	-	-
Japan	(Y)	131.094	-0.382	034 - 155	131.810	129.020	130.589	4.8	129.429	5.1	123.634	5.7	175.6
Malaysia	(M$)	3.9867	+0.0055	850 - 883	3.9945	3.9727	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4084	+0.0086	069 - 098	2.4102	2.4069	2.4137	-2.7	2.4228	-2.4	2.4369	-1.2	96.7
Philipines	(Peso)	42.0543	+0.0892	643 - 442	42.1501	41.9201	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0640	+0.0149	624 - 655	6.0738	6.0397	-	-	-	-	-	-	-
Singapore	(S$)	2.2528	+0.0046	515 - 541	2.2543	2.2437	-	-	-	-	-	-	-
South Africa	(R)	5.8049	+0.0097	024 - 074	5.8108	5.7824	-	-	-	-	-	-	-
South Korea	(Won)	1239.88	+3.1	953 - 023	1241.83	1233.64	-	-	-	-	-	-	-
Taiwan	(T$)	40.9047	+0.0311	910 - 184	41.0085	40.7008	-	-	-	-	-	-	-
Thailand	(Bt)	39.5563	+0.0749	315 - 810	39.5890	39.3790	-	-	-	-	-	-	-

† Rates for Apr 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.5282	-0.0949	254 - 309	9.6155	9.4885	9.5162	1.5	9.4962	1.3	9.4017	1.3	106.1
Belgium	(BFr)	27.8890	-0.2365	720 - 060	28.1120	27.7650	27.864	1.1	27.826	0.9	27.704	0.7	110.5
Denmark	(DKr)	5.3528	-0.0322	505 - 550	5.3889	5.3187	5.357	-0.9	5.3648	-0.9	5.3815	-0.5	109.6
Finland	(FM)	4.2086	-0.0289	061 - 111	4.2440	4.1779	4.2088	-0.1	4.2093	-0.1	4.2121	-0.1	86.5
France	(FFr)	4.8055	-0.0098	047 - 062	4.8325	4.7510	4.8142	-2.2	4.8293	-2.0	4.8448	-0.8	109.6
Germany	(DM)	1.3542	-0.0135	539 - 545	1.3689	1.3465	1.3525	1.6	1.3488	1.6	1.3332	1.6	113.2
Greece	(Dr)	220.885	-1.735	820 - 950	223.100	219.120	222.815	-10.5	226.67	-10.5	242.64	-9.8	68.4
Ireland	(I£)	1.6610	+0.0114	594 - 626	1.6680	1.6512	1.6617	-0.5	1.6634	-0.6	1.6755	-0.9	-
Italy	(L)	1712.00	+8.5	100 - 300	1714.50	1690.00	1718.5	-4.6	1731.9	-4.6	1794.25	-4.8	63.0
Luxembourg	(LFr)	27.8890	-0.2365	720 - 060	28.1120	27.7650	27.864	1.1	27.826	0.9	27.704	0.7	110.5
Netherlands	(Fl)	1.5165	-0.0146	162 - 167	1.5300	1.5090	1.5144	1.6	1.5106	1.6	1.4945	1.5	110.2
Norway	(NKr)	6.1115	-0.038	090 - 140	6.1584	6.0674	6.1062	1.0	6.0963	1.0	6.0655	0.8	96.5
Portugal	(Es)	143.460	-1.09	410 - 510	144.620	143.000	143.95	-4.2	145.105	-4.6	150.4	-4.8	97.0
Spain	(Pta)	122.960	+0.29	910 - 010	123.650	121.150	123.275	-3.1	123.96	-3.3	127.73	-3.9	79.1
Sweden	(SKr)	7.2945	-0.0051	895 - 995	7.3175	7.2060	7.3098	-2.5	7.3425	-2.6	7.5155	-3.0	75.7
Switzerland	(SFr)	1.1167	-0.0112	162 - 172	1.1265	1.1120	1.1141	2.7	1.1092	2.7	1.0858	2.8	114.4
UK	(£)	1.6169	+0.0041	165 - 172	1.6195	1.6086	1.6166	0.1	1.6157	0.3	1.6034	0.8	83.4
Ecu	-	1.3457	+0.0075	452 - 462	1.3625	1.3397	1.3454	0.3	1.3449	0.2	1.343	0.2	-
SDR†	-	0.62758	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9115	+0.008	100 - 130	0.9160	0.9100	-	-	-	-	-	-	-
Canada	(C$)	1.3708	+0.001	705 - 710	1.3742	1.3700	1.3733	-2.1	1.3769	-1.8	1.3881	-1.3	80.7
Mexico	(New Peso)	6.1250	-0.12	000 - 500	6.1500	6.1000	6.1273	-0.4	6.1304	-0.4	6.1353	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	88.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3572	+0.0082	569 - 578	1.3635	1.3561	1.3588	-1.4	1.3627	-1.6	1.3839	-2.0	80.0
Hong Kong	(HK$)	7.7310	-0.0003	305 - 315	7.7318	7.7302	7.7292	0.3	7.7287	0.1	7.7445	-0.2	-
India	(Rs)	31.3950	+0.004	900 - 000	31.4050	31.3900	31.475	-3.1	31.72	-4.1	-	-	-
Israel	(Shk)	2.9456	+0.0007	431 - 481	2.9558	2.9284	-	-	-	-	-	-	-
Japan	(Y)	81.0800	-0.44	500 - 000	81.6500	79.8000	80.755	4.8	80.11	4.8	77.09	4.9	175.9
Malaysia	(M$)	2.4657	-0.0028	652 - 662	2.4700	2.4620	2.4637	1.0	2.4613	0.7	2.4557	0.4	-
New Zealand	(NZ$)	1.4894	+0.0015	890 - 901	1.4963	1.4882	1.4928	-2.7	1.4996	-2.7	1.5189	-2.0	-
Philipines	(Peso)	26.0100	-0.01	600 - 600	26.0600	25.9600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0002	503 - 506	3.7506	3.7502	3.7515	-0.3	3.7536	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.3933	-0.0007	928 - 938	1.3940	1.3908	1.3881	4.5	1.3798	3.9	1.3533	2.9	-
South Africa	(R)	3.5903	-0.003	895 - 910	3.5935	3.5800	3.6083	-6.0	3.6456	-6.2	3.8396	-6.9	-
South Korea	(Won)	766.850	-	800 - 900	767.900	765.400	769.85	-4.7	773.35	-3.4	791.85	-3.3	-
Taiwan	(T$)	25.2990	-0.0443	960 - 020	25.3026	25.2400	25.319	-0.9	25.359	-0.9	-	-	-
Thailand	(Bt)	24.4850	-0.015	550 - 750	24.4750	24.4200	24.486	-1.0	24.5125	-0.8	24.6	-0.6	-

† SDR rate per $ for Apr 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 18. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5⅛	5⅜	5⅝	7.40	4.00	-
week ago	4⅞	5	5⅛	5⅜	5⅝	7.40	4.00	-
France	7⅞	8⅛	8⅛	7⅞	7¼	5.00	-	8.00
week ago	7⅞	8⅛	7⅝	7⅛	7⅛	5.00	-	8.00
Germany	4½	4⅝	4⅞	4½	4¾	6.00	4.00	4.51
week ago	4⅞	4⅝	4⅝	4⅝	4⅝	6.00	4.00	4.50
Ireland	6	6½	6¾	6⅝	7⅛	-	-	6.25
week ago	5⅞	6½	6⅝	6⅞	7⅛	-	-	6.25
Italy	10¼	10½	10¾	11⅛	11½	-	7.50	10.46
week ago	10¼	10½	10⅝	11	11½	-	7.50	10.46
Netherlands	4⅛	4⅛	4⅛	4⅜	4⅝	-	-	5.25
week ago	4.55	4⅛	4.73	4.81	5.12	-	-	5.25
Switzerland	4⅛	3⅝	3⅝	3⅝	3⅝	6.625	3.00	-
week ago	3½	3⅝	3⅞	3½	3⅝	6.625	3.00	-
US	6	6⅛	6¼	6⅜	6½	-	5.25	-
week ago	5⅞	6⅛	6¼	6⅜	6⅝	-	5.25	-
Japan	2⅛	1⅝	1⅝	1⅝	1⅝	-	1.00	-
week ago	2¼	1⅞	1⅝	1⅝	1⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅜	6⅝	-	-	-
week ago	-	6⅛	6¼	6⅜	6⅝	-	-	-
US Dollar CDs	-	5.89	5.99	6.13	6.38	-	-	-
week ago	-	5.89	6.03	6.22	6.52	-	-	-
SDR Linked Ds	-	4⅞	5	5⅛	5⅛	-	-	-
week ago	-	4⅞	5	5⅛	5⅛	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6¼; 6 mths: 6⅜; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5 7/16 - 5 5/16	5 11/16 - 5 9/16	[illegible]
Danish Krone	7⅞ - 6⅝	7 - 6⅝	7 - 6¾	7 1/16 - 6 13/16	7⅛ - 6⅞	[illegible]
D-Mark	4 7/16 - 4 7/16	4 7/16 - 4 7/16	4 9/16 - 4 7/16	4 9/16 - 4 7/16	4 13/16 - 4 11/16	[illegible]
Dutch Guilder	4½ - 4⅜	4½ - 4⅜	4 9/16 - 4 7/16	4 11/16 - 4 9/16	4¾ - 4⅝	[illegible]
French Franc	7⅞ - 7⅝	8 - 7¾	8¼ - 8	8¼ - 8	7⅞ - 7⅝	[illegible]
Portuguese Esc.	9 - 8¾	9½ - 9¼	10¼ - 9⅞	10¾ - 10½	11⅛ - 10⅞	[illegible]
Spanish Peseta	8 13/16 - 8 9/16	8 13/16 - 8 11/16	9 1/16 - 8 15/16	9½ - 9⅜	9 13/16 - 9 11/16	[illegible]
Sterling	5¾ - 5⅝	5⅞ - 5¾	6⅛ - 6 1/16	6 21/32 - 6 17/32	7 1/16 - 6 15/16	[illegible]
Swiss Franc	3 11/16 - 3 9/16	3½ - 3⅜	3 7/16 - 3 5/16	3½ - 3⅜	3 9/16 - 3 7/16	[illegible]
Can. Dollar	8 1/16 - 8	8⅛ - 7 13/16	8 - 7⅞	8 - 7⅞	8 - 7⅞	[illegible]
US Dollar	6 1/16 - 5 15/16	6⅛ - 6	6⅛ - 6	6¼ - 6⅛	6⅜ - 6¼	[illegible]
Italian Lira	10¼ - 9¾	10⅜ - 10¼	10 9/16 - 10 7/16	10⅞ - 10¾	11¼ - 11⅛	[illegible]
Yen	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	[illegible]
Asian $Sing	½ - ¼	½ - ¼	1⅛ - 1	1¾ - 1⅝	2 3/16 - 2 1/16	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.49	92.41	-0.42	92.59	92.29	50,529	42,715
Sep	93.30	93.25	-0.15	93.33	93.14	16,059	33,442
Dec	93.30	93.32	-0.08	93.42	93.21	4,508	21,824
Mar	93.20	93.24	-0.04	93.31	93.16	2,076	14,230

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.69	-0.04			0	565
Sep		93.54	-0.09			0	329
Dec		93.35	-0.10			0	255
Mar		93.37	-0.10			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.38	95.35	+0.01	95.39	95.32	23591	161326
Sep	95.20	95.17	-	95.25	95.13	52806	167591
Dec	94.98	94.89	-0.02	95.00	94.85	41118	121400
Mar	94.70	94.60	-0.03	94.71	94.56	15424	70187

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.70	88.66	-0.18	88.78	88.55	12401	37432
Sep	88.58	88.59	-0.12	88.68	88.50	3277	22658
Dec	88.48	88.58	-0.09	88.66	88.48	790	13534
Mar	88.55	88.58	-0.06	88.60	88.54	216	7734

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.52	96.56	+0.06	96.59	96.46	4061	22773
Sep	96.48	96.45	+0.05	96.48	96.39	1348	9418
Dec	96.32	96.32	+0.05	96.32	96.25	300	6312
Mar	96.13	96.14	+0.03	96.14	96.13	80	1837

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.49	93.48	-0.10	93.52	93.46	3828	8882
Sep	93.40	93.41	-0.04	93.44	93.39	521	4481
Dec	93.17	93.17	-0.03	93.23	93.16	279	2381
Mar	93.00	93.00	-	93.01	92.98	90	1360

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.19	17.23	4.857	2.160	6139	5.438	21.91	514.5	440.9	26.15	4.005	2.218	4.915	3.586	290.9	2.668
Denmark	(DKr)	52.10	10	8.977	2.530	1.125	3198	2.833	11.42	268.1	229.7	13.62	2.087	1.155	2.560	1.868	151.5	1.389
France	(FFr)	58.03	11.14	10	2.819	1.254	3562	3.156	12.72	298.6	255.9	15.17	2.324	1.287	2.852	2.081	168.7	1.547
Germany	(DM)	20.59	3.952	3.548	1	0.445	1264	1.120	4.512	105.9	90.78	5.384	0.825	0.457	1.012	0.738	59.86	0.549
Ireland	(I£)	46.29	8.886	7.977	2.248	1	2842	2.517	10.14	238.2	204.1	12.10	1.854	1.027	2.275	1.660	134.6	1.234
Italy	(L)	1.629	0.313	0.281	0.079	0.035	100.	0.089	0.357	8.382	7.182	0.426	0.065	0.036	0.080	0.058	4.735	0.043
Netherlands	(Fl)	18.39	3.530	3.168	0.893	0.397	1129	1	4.030	94.62	81.08	4.808	0.737	0.408	0.904	0.659	53.47	0.490
Norway	(NKr)	45.63	8.759	7.864	2.216	0.986	2801	2.482	10	234.8	201.2	11.93	1.828	1.012	2.243	1.636	132.7	1.216
Portugal	(Es)	19.44	3.731	3.349	0.944	0.420	1193	1.057	4.259	100.	85.69	5.082	0.778	0.431	0.955	0.697	56.51	0.518
Spain	(Pta)	22.68	4.354	3.908	1.102	0.490	1392	1.233	4.970	116.7	100.	5.931	0.908	0.503	1.115	0.813	65.95	0.605
Sweden	(SKr)	38.24	7.341	6.590	1.858	0.826	2348	2.080	8.381	196.8	168.6	10	1.532	0.848	1.880	1.372	111.2	1.020
Switzerland	(SFr)	24.97	4.792	4.302	1.213	0.539	1533	1.358	5.471	128.5	110.1	6.528	1	0.554	1.227	0.895	72.59	0.666
UK	(£)	45.09	8.655	7.770	2.190	0.974	2768	2.452	9.881	232.0	198.8	11.79	1.806	1	2.216	1.617	131.1	1.202
Canada	(C$)	20.35	3.906	3.506	0.988	0.440	1249	1.106	4.459	104.7	89.71	5.320	0.815	0.451	1	0.730	59.16	0.542
US	($)	27.88	5.353	4.805	1.354	0.602	1712	1.516	6.111	143.5	122.9	7.291	1.117	0.618	1.370	1	81.08	0.743
Japan	(Y)	34.39	6.602	5.927	1.670	0.743	2111	1.870	7.537	177.0	151.6	8.993	1.378	0.763	1.690	1.233	100.	0.917
Ecu		37.51	7.200	6.464	1.822	0.810	2303	2.040	8.220	193.0	165.4	9.809	1.502	0.832	1.844	1.345	109.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7413	0.7386	-0.0027	0.7443	0.7331	33,259	58,873
Sep	0.7393	0.7410	-0.0038	0.7410	0.7366	255	2,687
Dec	-	0.7420	-	-	0.7400	16	392

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9000	0.8976	-0.0027	0.9030	0.8912	15,607	27,815
Sep	0.9003	0.9025	-0.0075	0.9025	0.8977	261	2,497
Dec	0.9065	0.9090	-0.0057	0.9090	0.9055	46	210

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2483	1.2410	-0.0081	1.2625	1.2342	23,603	61,008
Sep	1.2670	1.2555	-0.0105	1.2670	1.2505	354	3,176
Dec	1.2675	1.2690	-0.0128	1.2690	1.2675	82	719

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6154	1.6122	-0.0040	1.6170	1.6076	8,780	22,377
Sep	1.6066	1.6080	-0.0078	1.6080	1.6050	22	259
Dec	-	1.6070	-0.0048	-	1.6030	1	62

EMS EUROPEAN CURRENCY UNIT RATES

Apr 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.06829	-0.00454	-3.90	7.84	-
Belgium	39.3960	37.9457	-0.0908	-3.68	7.30	27
Germany	1.91007	1.84565	-0.00374	-3.38	6.99	-
Austria	13.4383	12.9658	-0.0270	-3.37	6.98	-
Portugal	195.792	195.403	-0.06	-0.20	3.55	1
Denmark	7.28580	7.27902	-0.00988	-0.09	3.44	1
France	6.40608	6.52978	+0.01356	1.92	1.40	-16
Spain	162.493	166.623	-0.03	2.73	0.60	-19
Ireland	0.792214	0.818715	+0.000548	3.35	0.00	-23
NON ERM MEMBERS						
Greece	292.867	301.101	+0.036	2.81	0.52	-
Italy	2106.15	2313.05	+8.36	9.82	-5.90	-
UK	0.786652	0.839637	+0.002054	6.76	-3.20	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.525	8.47	8.80	9.09	0.07	0.55	0.82
1.550	6.24	6.67	7.26	0.26	1.01	1.50
1.575	4.20	5.10	5.59	0.73	1.72	2.30
1.600	2.53	3.81	4.18	1.55	2.65	3.28
1.625	1.40	2.48	3.00	2.81	3.94	4.58
1.650	0.67	1.61	2.14	4.57	5.54	6.13

Previous day's vol., Calls 5,879 Puts 8,773 . Prev. day's open int., Calls 226,766 Puts 273,243

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.72	93.71	-0.01	93.72	93.70	70,486	497,978
Sep	93.61	93.56	-0.04	93.61	93.56	126,996	358,107
Dec	93.42	93.37	-0.05	93.43	93.35	123,918	288,583

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.31	[illegible]	-0.01	94.31	94.29	887	13,891
Sep	94.15	[illegible]	-0.04	94.15	94.11	412	11,096
Dec	93.98	[illegible]	-0.05	93.98	93.92	113	10,364

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9525	0.13	0.16	0.13	0.16	0.03	0.06	0.21	0.24
9550	0.03	0.04	0.05	0.07	0.18	0.19	0.38	0.40
9575	0	0.01	0.02	0.03	0.40	0.41	0.60	0.61

Est. vol. total, Calls 5050 Puts 2444. Previous day's open int., Calls 153700 Puts 241974

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9650	0.14	0.16	0.21	0.08	0.21	0.39
9675	0.04	0.07	0.12	0.23	0.37	0.55
9700	0	0.02	0.06	0.44	0.57	0.74

Est. vol. total, Calls 1 Puts 0. Previous day's open int., Calls 937 Puts 935

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	TSB	6.75
Bank of Baroda	6.75	Girobank	6.75	●United Bk of Kuwait	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	Unity Trust Bank Plc	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Western Trust	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75		
Barclays Bank	6.75	C. Hoare & Co	6.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	* In administration	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
City Merchants Bank	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Meghraj Bank Ltd	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	●Mount Banking	6.75		
Credit Lyonnais	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.94	92.86	-0.10	92.94	92.86	23349	94955
Sep	92.49	92.40	-0.12	92.49	92.39	22244	73204
Dec	92.14	92.07	-0.11	92.15	92.06	7853	53354
Mar	91.86	91.80	-0.10	91.87	91.80	2612	34304

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9275	0.23	0.17	0.16	0.12	0.52	0.84
9300	0.09	0.10	0.09	0.23	0.70	1.02
9325	0.02	0.05	0.05	0.41	0.90	1.23

Est. vol. total, Calls 7999 Puts 18532. Previous day's open int., Calls 182226 Puts 143461

LONDON MONEY RATES

Apr 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 3	6 - 5¾	6⅛ - 6	6⅝ - 6½	7⅛ - 6⅞	7⅝ - 7½
Sterling CDs	-	-	6⅛ - 6	6½ - 6⅜	7 - 6⅞	7½ - 7⅜
Treasury Bills	-	-	6 - 5⅞	6¼ - 6⅛	-	-
Bank Bills	-	-	6 - 5⅞	6¼ - 6⅛	-	-
Local authority deps.	5⅞ - 5⅝	5⅞ - 5¾	6⅛ - 6	6⅝ - 6½	7 - 6⅞	7½ - 7⅜
Discount Market deps	5½ - 4	5½ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 month	6-9 month	9-12 month
Certs of Tax dep. (£100,000)	3	5¾	5¾	5¼	5¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.1687pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 25, 1995, Scheme III 7.88pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.710pc. Finance House Base Rate 7pc from Apr 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf	50½xf	—	98	50¾	6.31	16.8	–
9¼pc Non-Cum Prf	[illegible]	—	119½	3	1.80	–	–
Cater Allen	474	+1	474	418	184.5	7.5	8.8
Close Bros	281xd	—	282	219	288.5	3.8	11.8
Gerrard & Nat	417	—	438	395	203.1	7.2	12.0
Hambros	204	-4	253	196	380.3	9.2	12.5
7½pc Cv Pf	98	—	112	94	128.2	9.6	–
Joseph (L)	365	—	455	353	19.9	6.0	10.6
King & Shaxson	89	—	103	85	16.6	12.8	8.8
Kleinwort Benson	620xd	-14	651	528	640.5	4.3	11.3
Rea Bros	55xd	-1	67	53	22.8	2.4	ф
Schroders	1620xd	-8	1633	1360	1,620	1.6	15.4
NV	1435xd	-10	1445	1235	416.1	1.8	13.6
Singer & Fried	82xd	—	88½	81	108.3	5.3	ф
Union	81xd	—	93	70	21.5	4.6	ф
Warburg (SG)	730	-10	794	655	1,613	3.8	13.4
Wintrust	205	—	235	200	17.4	6.5	13.7

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's
TVX Gold ♥	468p	+21	468p	379½p	741.0	-
Toronto-Dom.	9⅞xd	-⅛	10	8⅝	2,837	4.2
Trans Can Pipe ♥	8	-⅛	8⅞	7⅞	1,450	4.7

SOUTH AFRICANS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.	£32½	—	£34	£29	2,124	2.4	Φ
Barlow	£9½	-⅛	69⅞	£4⅞	1,186	1.6	22.0
Gold Flds Prop R.	144xd	—	152	118	14.7	7.2	Φ
NK Props.	90	—	95	65	3.62	12.8	-
SASOL ♥	551	-22	589	435	3,179	2.4	-
SA Brews †	£16½	—	£17⅞	£12⅞	4,688	1.7	27.0
Tiger Oats	850	—	876	700	1,278	1.7	20.7
Tongaat-Hulett ††	743	—	782	636	677.2	1.9	22.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated *price/earnings* ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(c) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9660. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. *Reports will be sent the next working* day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. *Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.*

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prnl Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

Fund	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum			A$17.473		-0.009	6.50
A$ Dist			A$15.208		-0.008	6.50
ASch Accum			Sch230.88		-0.07	3.50
ASch Dist			Sch201.53		+0.05	3.50
BFr Accum			BFr540.93		+0.21	4.90
BFr Dist			BFr504.88		+0.19	4.90
C$ Accum			C$17.473		+0.010	7.00
C$ Dist			C$15.215		-0.008	7.00
DKr Accum			DKr109.60		+0.08	6.20
DKr Dist			DKr101.10		-0.04	6.20
DM Accum			DM36.846		+0.010	3.60
DM Dist			DM30.343		+0.008	3.60
DFl Accum			Dfl30.583		-0.008	3.70
DFl Dist			Dfl26.709		+0.007	3.70
ECU Accum			Ecu12.710		-0.005	5.30
ECU Dist			Ecu10.110		+0.005	5.30
FM Accum			FM108.65		+0.03	3.60
FM Dist			FM100.80		+0.03	3.60
FFr Accum			FFr63.207		+0.030	5.90
FFr Dist			FFr60.578		-0.029	5.90
HK$ Accum			HK$112.57		+0.05	5.90
HK$ Dist			HK$101.26		+0.05	5.90
Ir£ Accum			I£17.493		+0.004	4.80
Ir£ Dist			I£10.096		-0.004	4.80
Lire Accum			L20735		+15	9.50
Lire Dist			L15288		+11	9.50
NZ$ Accum			NZ$35.813		-0.021	7.70
NZ$ Dist			NZ$30.483		-0.019	7.70
NKr Accum			NKr108.45		+0.03	4.20
NKr Dist			NKr100.85		+0.03	4.20
Pta Accum			Pta2900.8		+2.1	9.20
Pta Dist			Pta2047.7		+1.8	9.20
S$ Accum			S$25.538		+0.002	1.00
S$ Dist			S$23.058		-0.002	1.00
SPta Accum			Pta2447.2		+1.5	7.80
SPta Dist			Pta1828.8		+1.7	7.80

GUERNSEY (SIB RECOGNISED)

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Fund	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
GlobalSar Dollar Accum	5		$27.37	29.04	+0.18	–
GlobalSar Dollar Dist	5		$25.88	27.44	+0.17	2.48
GlobalSar-£	5		£16.81	17.81	+0.17	3.19
(Accum Units)	5		£19.17	20.32	+0.20	–

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

Fund	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd &	3		$11.3255	11.7214	–	7.35
Approx Stg Equiv	3		£7.1301	7.3796	–	7.35

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Emerging Mkts Liquid Inv Pfolio	$11.67	12.09	–	–

Apollo Investment Management Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Japan	£10.085	10.609	–	–
Tiger	£9.662	10.169	–	–

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Managed Currency	$10.90	11.03	+0.06	–
International Bond	$11.09	11.09	+0.02	–

Bachmann Global Investment Fund Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Cash, Gilt & Stg Fxd Int	£17.92	17.95	–	–
US Dollar Intl Bond & Ccy	$153.83	157.17	–	–
Sterling Intl Bond & Ccy	£101.08	103.22	–	–
Global Equity	£8.84	9.25	–	–
Intl Equity Index	$100.51	104.86	–	–

Bellavest Management (Guernsey) Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Bellavest – Israel Fd	$989.93		–	–
Bellavest – Brazil Fd	$1009.94		–	–
Bellavest – Multi Bond Fd	$929.42		–	–
Bellavest – Global Fd of Fds	$775.88		–	–
Bellavest – Superior Class	$880.02		–	–

CIBC Fund Managers (Guernsey) Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
PCF Sterling Bond ♦	£10.81	11.90	–	–
PCF US Dollar Bond ♦	$15.40	15.65	–	–
PCF Canadian Dollar Bond ♦	C$21.49	21.88	–	–
PCF Euro Bond ♦	SFr18.32	18.69	–	–
PCF Euro Equity ♦	SFr18.54	19.14	–	–
PCF Balanced ♦	$15.81	15.96	–	–
PCF Far East♦	$14.25	15.21	–	–

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Morgan Stanley Sicav

Murray Universal, Sicav

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd

Royal Skandia Life Assurance Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Sterling and base rate worries unsettle shares

By Terry Byland,
UK Stock Market Editor

Concern over UK interest rate prospects depressed London equities yesterday as renewed weakness in sterling underlined comments reported from the last policy meeting of the chancellor of the exchequer and the governor of the Bank of England. With the US currency still under pressure in spite of an improved trade deficit, London's dollar stocks joined in the stock market's retreat.

The market headed downwards from the opening and a brief rally when Wall Street opened higher was extinguished after the Dow Jones Industrial Average reversed its early trend to show a fall of 3 *points in London trading hours.*

The closing reading put the FT-SE 100-share Index at 3,170.1, down 24.4 and virtually at the day's low. Trading volume increased smartly from the sluggish post-Easter totals seen earlier this week and share prices were easier across the range of the market.

Equities took their cue from the British government bond market, where substantial losses were suffered at both the short end of the range, which is linked to base rate views, and also at the longer end of the range of issues.

The disclosure that the chancellor and the Bank governor had agreed at last month's meeting that sterling weakness could become a "policy issue" if it persisted, followed by an early dip in the sterling rate yesterday, soon upset stock prices. The FT-SE 100 Index was down 25.6 points by mid-morning.

Among the domestic consumer-orientated issues, which are considered the most vulnerable to an upward move in UK base rates, sizeable losses were suffered.

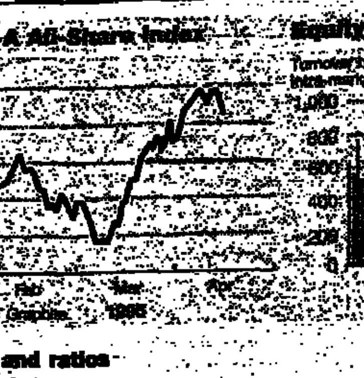
The prospect of a new threat to the unconvincing progress of consumer *spending hit hard into the* retail foods sector. Hotel and leisure companies, household goods manufacturers and the big names in the retail store industry were also targeted by sellers.

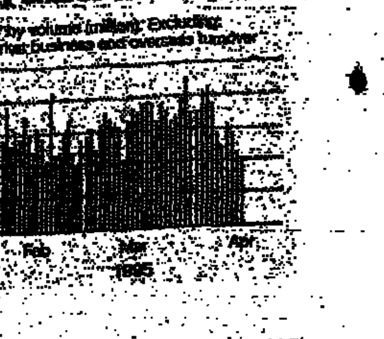
The international blue chips fared slightly better than most sectors, since sellers have already been active since the dollar began its slide. Oil shares were sustained by the recent recovery in crude oil prices, while takeover speculation continued to spur some interest among the pharmaceuticals.

Seaq trading volume, which has been barely above 300m shares daily since the middle of the pre-Easter week, jumped to 532.7m shares yesterday.

Business in non-Footsie stocks fell back to around 51 per cent of the day's total, a clear indication that the big investment institutions, which focus on the Footsie listed shares, had taken up the market reins again. On Tuesday, turnover of 362m shares in the London market was worth £1.04bn in retail, or customer, business worth.

The apparent failure of the economic package in Tokyo to restore confidence to currency markets has turned the investment focus back to the Bundesbank, which holds its regular policy meeting today, and to the progress of the US economy. But analysts commented yesterday *that the outlook for sterling has* now joined these international factors in unsettling the UK stock market.





Indices and ratios

FT-SE 100	3170.1	-24.4	FT Ordinary Index	2419.5	-14.5
FT-SE Mid 250	3482.6	-10.6	FT-SE-A Non Fins p/e	17.10	(17.17)
FT-SE-A 350	1575.6	-10.5	FT-SE 100 Fut Jun	3180.0	-38.5
FT-SE-A All-Share	1556.15	-9.59	10 yr Gilt yield	8.72	(8.38)
FT-SE-A All-Share yield	4.11	(4.09)	Long gilt/equity yld ratio:	2.09	(2.08)

Best performing sectors

1. Water +1.1
2. Health Care +0.9
3. Gas Distribution +0.8
4. Oil, Integrated +0.4
5. Electricity +0.2

Worst performing sectors

1. Life Assurance -2.8
2. Insurance -2.0
3. Banks, Retail -1.5
4. Telecommunications -1.4
5. Banks, Merchant -1.4

Dutch boost for GKN

Depressed recently by the crash of one of its EH101 helicopters, engineering leader GKN was one of the few unequivocal blue spots on the screens yesterday. The shares moved forward 3 to 623p as hopes built for a round of more positive helicopter news, following the decision by the Dutch government to order the Apache AH-64D.

The Apache, already in development for the US army in a deal potentially worth £400m to GKN, is hot favourite to win the competitive tender for the British Army's next generation of attack helicopters. The market saw the Dutch move as a further shortening of the odds. An announcement from the UK Ministry of Defence is due next month.

BA steady

British Airways shares recovered their composure following an upbeat trading statement from troubled 24 per cent owned associate USAir. The US airline turned in lower than expected losses for the 1995 first quarter and claimed to have made a profit for the month of March. The Wall Street consensus for USAir's first-quarter deficit was $2.06 a share; it in fact lost only $1.91.

This was more than enough to push into the background worries about a heavy write-off for BA's £400m investment in USAir, and as a result the shares, down 3 on Tuesday, recovered a penny to 402p.

Airports group BAA retreated 6½ to 484½p following news that Prudential, a *leading UK institutional* investor, had reduced its holding in the group to 3.97 per cent, and was now underweight relative to the market.

Banks sold

Banking stocks took a tumble yesterday in spite of the potential benefit of a possible interest rate rise. One leading securities house shifted its stance following a phenomenal run by the sector.

The minutes of the latest meeting between the governor of the Bank of England and the chancellor gave rise to concern that the current dollar crisis could lead to a UK rate increase. The banks would normally expect to benefit by widening their margins.

However, Credit Lyonnais Laing chose yesterday to take the sector off its buy list. It had encouraged investors to buy on the hope of big dividends during the recent results season. The subsequent rise in bank shares was compounded by *heavy switching into the* sector from the electricity companies after the decision by the power industry regulator to consider revising electricity distribution price controls.

Mr Neil Baker of Credit Lyonnais said some of the banks had approached the all-time highs first achieved at the beginning of last year when the market was at its peak. Among the main high street clearers, Barclays dropped 15 to 634p, Lloyds 14 to 609p, National Westminster 8¼ to 542½p and Royal Bank of Scotland 7 to 415p.

Bid hints

A *market* hungry for stories latched on to any bid rumour it could find. Both Smith & Nephew and United Biscuits were taken out of the cupboard and dusted down.

Pharmaceuticals group Smith & Nephew put on the best percentage performance in the FT-SE 100 on speculation that Johnson & Johnson was interested. The possibility of a corporate move was enlivened by first-quarter figures from the US giant on *Tuesday. Some* dealers said J&J had made vague comments about overseas investment and one said there was active buying from "people normally in the know". Volume was higher than average at 3.7m. There was also the more mundane rationale that S&N had broken out of a very tight trading range. The shares ended 4¼ higher at 173p.

Elsewhere, United Biscuits hardened 3¼ to 343½p in trade of 2.8m, with the name of Associated British Foods added to the list of would-be suitors. Analysts continued to discount the talk and one argued that an offer could run into monopoly problems.

Dealers were bemused by early strength in British Gas and some wondered if the Hanson bid story might be returning. Others looked at the yield differential of Gas, seen as a defensive stock, compared with gilts. But it seemed that a *squeeze prompted by active* buying late on Tuesday and early yesterday was responsible. The shares rose 2¼ to 301p.

Pharmaceuticals group Zeneca responded to some positive news on its breast cancer drug. Reports in the US said clinical trials had shown that women treated with Nolvadex after breast cancer surgery lived longer than those not treated with the drug. Patients currently take the drug only during treatment. However, Mr Nigel Barnes of Merrill Lynch said there would be little material benefit as there was already a generic competitor on the market. The shares, up 3 at one stage, closed a net penny ahead at 894p.

Bid candidate Medeva slid 11 to 246½p as investors reasoned that a move by Fisons might take longer than earlier anticipated. Fisons rose 5 to 179p.

TeleWest shed 7 to 153½p as book building for the flotation *of rival cables business* General Cable cast a shadow over the telecommunications sector. The General Cables book building looked to have got away to a shaky start. Dealers said Lazard Brothers were taking orders at around 190p, against earlier indicated prices of up *to 225p.*

Mobile phones leader Vodafone was the most actively dealt Footsie stock, retreating 3¼ to 183p in 17m volume as worries about potential competition bubbled to the surface.

The catalyst looks to be an academic study commissioned by ABN Amro Hoare *Govett's* pace-setting telecoms team. Among other things, this sets out to measure possible industry reactions should the government consider granting a fifth cellular operator licence.

ABN feels Vodafone could lag behind the market in the short term, but remains very positive towards the stock on a longer view.

Yorkshire Electricity added 8 at 668p after Smith New Court advised investors to switch into the stock and out of Midland Electricity, 5 off at 640p. The broker believes its "distribution profits are the least sensitive to a uniform price cut". Smith also favours Yorkshire because it has "reined back on diversification and abandoned all overseas plans".

Smith is also publishing a review on the whole sector which is due to land on investors' desks today, in which it highlights the qualities of the leading stocks in the sector.

Diversified industrial Trafalgar House easily topped the day's activity charts with 30m *shares changing hands* after 13m on Tuesday. The shares closed little changed at 51½p in a day of often hectic, two-way pull. The group has big Far Eastern shareholders, notably Hong Kong Land with 25.6 per cent, and talk of realignments persisted.

Among retailers, bargain hunters in Lloyds Chemists helped the shares shrug off recent weakness and they closed 6 better at 206p. However, fears on interest rates hurt several of the retailing stocks. Argos fell 7½ to 390p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Apr 19	Apr 18	Apr 13	Apr 12	Apr 11	Yr ago	*High	*Low
Ordinary Share	2419.5	2434.0	2446.7	2447.5	2434.3	2462.7	2464.1	2238.3
Ord. div. yield	4.37	4.34	4.32	4.32	4.34	4.05	4.73	4.31
P/E ratio net	16.46	16.57	16.97	16.90	16.90	19.46	21.39	16.46
P/E ratio nil	16.39	16.49	16.89	16.72	16.81	20.37	22.21	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2429.7	2426.1	2422.4	2418.2	2422.9	2422.5	2422.1	2422.9	2417.5	2430.1	2416.1

	Apr 19	Apr 18	Apr 13	Apr 12	Apr 11	Yr ago
SEAQ bargains	20,557	20,625	20,774	21,461	22,139	25,787
Equity turnover (£m)†	-	1041.5	1182.9	1514.6	1822.2	1744.3
Equity bargains†	-	32,073	30,552	30,725	36,134	32,125
Shares traded (ml)†	-	417.7	459.4	563.0	643.1	597.9

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	423	Total Highs	100	Total contracts	35,317
Total Falls	723	Total Lows	66	Calls	16,747
Same	1,720			Puts	18,570

April 19 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Gross yld	P/E net
150	F.P.	542.4	178	154	Albright & Wilson	173	-1	R6.0	1.5	4.3	19.2
-	F.P.	17.5	201	170	Beale	171	-	[illegible]	-	4.3	-
170	F.P.	74.1	171	171	Biocompatibles Int'l	171		v-	-	-	-
-	F.P.	4.09	164	113	Brit Aerospace Uts	132	-6	-	-	-	-
60	F.P.	9.68	63	61	Coral Products	63		b-	-	-	9.5
§128	F.P.	15.6	135	130	Dailywin	130		Rv6.0	2.2	5.8	6.8
§130	F.P.	52.1	158	136	Datrontech	155		-	-	-	17.8
175	F.P.	102.7	178	170½	Expro Intl	174		Wv6.0	3.3	4.3	13.0
100	F.P.	20.0	101	100	F&C SUIT Units	100		-	-	-	-
100	F.P.	29.4	101	98	Geared Inc Inv C	98	-1	-	-	-	-
476	170	6,192.1	193	158½	*Natl Power (P/P)	177		F15.45	2.6	4.0	13.2
90	F.P.	17.5	92	90	PTS	92		L3.6	1.9	4.9	13.8
512	185	4,066.3	206	176½	*PowerGen (P/P)	191	+1½	F15.0	3.2	3.6	11.2
125	F.P.	18.8	128	125	Precoat Int'l	128		R4.2	2.5	4.1	12.3
270	F.P.	75.6	318	302	Rainford	317	+5	R5.0	2.8	2.0	18.8
-	F.P.	84.7	535	493	Schroder I G Uts	535		-	-	-	-
100	F.P.	23.2	98	95	Scott Or Smlr Cos	98		-	-	-	-
-	F.P.	0.04	1600	5	Superframe Wts	6	+1	-	-	-	-
97	F.P.	46.7	158	138	Vision	151	-2	-	-	-	-

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 18	% chg on day	Apr 17	Apr 13	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2033.58	+2.6	1981.14	1924.83	1795.89	2.08	2337.89	1637.91
■ Regional indices								
Africa (16)	2803.33	+3.5	2707.30	2706.98	2364.43	4.86	3711.67	2364.43
Australasia (7)	2529.15	+4.0	2431.84	2428.03	2588.67	1.66	2951.49	1788.20
North America (11)	1741.58	+1.9	1709.24	1625.76	1508.71	0.76	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3205.0	3180.0	-38.5	3208.0	3171.0	13869	70910
Sep	3212.0	3203.0	-39.5	3212.0	3203.0	119	1619
Dec	3241.0	3232.0	-39.5	3241.0	3232.0	205	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3499.0	3495.0	-15.0	3500.0	3495.0	51	4465

■ FT-SE 100 INDEX OPTION (LIFFE) (*3170) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

FT - SE Actuaries Share Indices — The UK Series

	Apr 19	Day's chge%	Apr 18	Apr 13	Apr 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3170.1	-0.6	3194.5	3208.6	3209.6	3098.3	4.30	1.92	15.13	49.29	1229.81
FT-SE Mid 250	3482.6	-0.3	3493.2	3500.8	3493.1	3782.6	3.70	1.80	18.75	41.74	1328.18
FT-SE Mid 250 ex Inv Trusts	3492.7	-0.3	3502.6	3509.3	3502.1	3800.3	3.85	1.86	17.48	43.45	1330.73
FT-SE-A 350	1575.6	-0.7	1586.1	1592.4	1592.0	1578.0	4.17	1.90	15.82	23.24	1249.76
FT-SE-A 350 Higher Yield	1586.6	-0.6	1596.9	1604.3	1604.2	1581.0	5.13	1.68	14.53	30.53	1038.84
FT-SE-A 350 Lower Yield	1564.9	-0.7	1575.6	1580.5	1579.8	1535.1	3.05	2.33	17.64	15.56	1042.18
FT-SE SmallCap	1742.63	____	1743.43	1743.34	1739.63	1926.87	3.47	1.59	22.72	19.81	1377.94
FT-SE SmallCap ex Inv Trusts	1719.81	____	1719.83	1719.22	1715.99	1900.96	3.68	1.65	20.52	20.15	1364.96
FT-SE-A ALL-SHARE	1556.15	-0.6	1565.74	1571.44	1570.84	1569.95	4.11	1.88	16.20	22.55	1254.89

■ FT-SE Actuaries All-Share

	Apr 19	Day's chge%	Apr 18	Apr 13	Apr 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2741.29	+0.1	2737.71	2743.71	2749.23	2614.38	3.76	1.75	19.04	52.95	1128.81
12 Extractive Industries(7)	3726.17	-0.7	3750.92	3747.68	3725.90	3612.10	3.78	1.96	16.86	91.94	1055.14
15 Oil, Integrated(3)	2727.24	+0.4	2717.66	2725.75	2737.79	2547.46	3.88	1.79	18.00	50.43	1147.61
16 Oil Exploration & Prod(14)	1966.39	-0.3	1973.19	1975.24	1965.85	1979.39	2.51	0.43	80.00†	31.57	1156.90
20 GEN INDUSTRIALS(279)	1888.91	-0.7	1882.80	1892.74	1891.22	2100.24	4.20	1.63	18.27	26.88	975.56
21 Building & Construction(38)	964.87	-0.5	970.14	973.51	972.85	1344.13	4.11	1.87	16.23	16.01	774.77
22 Building Matls & Merchs(31)	1727.75	-1.2	1749.17	1770.72	1768.51	2123.70	4.27	1.89	15.51	20.68	831.97
23 Chemicals(22)	2285.88	-0.6	2300.45	2305.08	2296.65	2465.76	4.14	1.38	21.84	32.54	1037.00
24 Diversified Industrials(18)	1832.29	-0.7	1844.96	1856.58	1852.80	2073.57	5.21	1.45	16.51	37.72	969.05
25 Electronic & Elect Equip(37)	1972.14	-0.9	1990.64	1998.28	2000.47	2061.39	3.70	1.92	17.56	13.10	981.11
26 Engineering(72)	1822.59	-0.5	1832.28	1836.86	1837.13	1973.50	3.39	1.90	19.40	19.90	1062.62
27 Engineering, Vehicles(13)	2189.60	+0.2	2185.63	2203.81	2209.50	2477.56	4.18	0.29	80.00†	40.81	1092.31
28 Paper, Pckg & Printing(27)	2789.13	-1.0	2818.34	2828.93	2831.33	2906.02	3.42	2.31	15.80	37.94	1118.60
29 Textiles & Apparel(21)	1585.74	-0.9	1579.46	1582.64	1576.47	1820.12	4.51	1.27	21.82	25.73	911.68
30 CONSUMER GOODS(94)	2984.77	-0.4	2996.81	3016.40	3023.90	2867.37	4.35	1.63	17.65	52.92	1056.42
31 Breweries(18)	2251.01	-0.3	2257.84	2283.93	2288.32	2282.18	4.26	2.00	14.70	12.19	1031.39
32 Spirits, Wines & Ciders(10)	2714.80	-0.7	2732.56	2753.04	2752.48	2695.99	4.27	1.83	15.98	54.52	938.64
33 Food Producers(24)	2400.21	-0.6	2413.56	2424.43	2429.37	2309.55	4.23	1.96	15.11	51.64	1043.56
34 Household Goods(10)	2445.48	-0.9	2466.67	2476.32	2481.75	2625.04	3.76	0.86	38.41	50.32	904.08
36 Health Care(18)	1709.67	+0.9	1694.80	1688.48	1688.19	1716.89	3.03	1.07	38.71	9.19	1004.05
37 Pharmaceuticals(12)	3749.48	-0.3	3762.20	3761.02	3802.88	2873.28	4.13	1.33	22.79	49.48	1219.59
38 Tobacco(2)	3722.82	-0.3	3735.84	3786.16	3783.00	3657.64	6.09	1.63	12.57	131.29	881.11
40 SERVICES(229)	1926.08	-0.5	1935.89	1936.89	1933.69	2031.54	3.38	2.11	17.52	18.12	963.82
41 Distributors(32)	2394.82	+0.1	2392.65	2397.10	2395.21	3072.47	3.97	1.95	16.18	41.11	851.80
42 Leisure & Hotels(29)	2158.49	-0.6	2170.90	2174.02	2174.07	2257.27	3.56	1.58	22.24	28.91	1085.26
43 Media(43)	2848.06	-0.5	2863.08	2868.62	2870.52	3095.84	2.70	2.35	19.66	35.84	1004.51
44 Retailers, Food(16)	1859.02	-0.9	1876.14	1887.68	1880.68	1543.62	3.83	2.48	13.92	4.43	1124.67
45 Retailers, General(44)	1611.09	-0.7	1623.16	1627.40	1623.55	1745.02	3.39	2.13	17.32	10.82	882.89
48 Support Services(37)	1515.27	+0.7	1505.02	1500.67	1498.28	1647.26	2.82	2.46	18.01	12.45	935.90
49 Transport(21)	2199.15	-0.3	2205.07	2205.69	2198.77	2516.17	3.91	1.91	16.73	27.30	879.45
51 Other Services & Business(7)	1204.46	+0.1	1203.48	1205.20	1203.48	1134.22	3.74	1.22	27.32	10.90	1054.64
60 UTILITIES(37)	2295.71	-0.3	2302.36	2304.78	2291.68	2283.41	4.74	1.93	13.65	6.85	904.52
62 Electricity(17)	2201.56	+0.2	2196.10	2177.79	2148.37	2205.76	4.65	2.67	10.09	19.89	942.16
64 Gas Distribution(2)	1990.98	+0.8	1975.24	1972.66	1973.27	2006.89	6.02	0.66	31.78	0.00	935.15
66 Telecommunications(5)	1966.51	-1.4	1994.58	2010.42	2003.29	1990.07	4.16	1.69	17.83	0.13	853.57
68 Water(13)	1848.42	+1.0	1829.22	1830.55	1825.54	1714.21	5.42	2.73	8.44	4.62	942.53
69 NON-FINANCIALS(683)	1679.18	-0.4	1686.49	1692.21	1691.04	1697.36	4.07	1.80	17.10	21.36	1215.05
70 FINANCIALS(118)	2246.12	-1.6	2281.52	2292.61	2296.51	2209.21	4.71	2.32	11.46	55.83	920.17
71 Banks, Retail(9)	3000.03	-1.5	3045.70	3063.17	3074.74	2772.49	4.57	2.92	9.35	66.03	931.15
72 Banks, Merchant(6)	3141.94	-1.4	3185.00	3182.22	3154.06	2867.52	3.68	2.54	13.38	31.67	964.17
73 Insurance(26)	1250.32	-2.0	1275.61	1285.84	1280.49	1330.11	5.68	1.66	13.27	33.96	869.62
74 Life Assurance(6)	2481.84	-2.8	2554.51	2568.39	2591.86	2533.30	5.47	1.33	17.18	87.68	994.50
77 Other Financial(23)	1976.29	-0.2	1979.40	1973.30	1963.54	1907.33	3.90	2.31	13.88	21.60	1080.11
79 Property(46)	1344.15	-1.1	1358.62	1362.63	1363.21	1619.36	4.47	1.18	23.63	11.62	786.57
80 INVESTMENT TRUSTS(133)	2838.45	-0.4	2847.77	2857.79	2849.63	2841.07	2.41	1.02	50.57	20.53	896.53
89 FT-SE-A ALL-SHARE(914)	1556.15	-0.6	1565.74	1571.44	1570.84	1569.95	4.11	1.88	16.20	22.55	1254.89
FT-SE-A Fledgling	966.59	-0.2	968.05	968.63	964.07	-	3.10	1.14	35.45	9.45	976.08
FT-SE-A Fledgling ex Inv Trusts	962.16	-0.2	963.63	962.04	959.32	-	3.26	1.17	32.67	10.05	972.22

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3188.9	3184.3	3177.1	3170.1	3178.9	3176.4	3176.4	3177.0	3170.5	3188.9	3167.7
FT-SE Mid 250	3490.2	3487.4	3483.9	3479.9	3482.4	3483.4	3483.0	3482.8	3482.3	3490.2	3479.1
FT-SE-A 350	1583.7	1581.8	1578.4	1575.4	1578.2	1578.2	1577.7	1578.3	1575.8	1583.7	1574.7

Time of FT-SE 100 Day's high: 8.30am Day's low: 3.51pm. FT-SE 100 1995 High: 3210.9 (7/4) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	950.4	949.1	947.4	947.4	947.4	947.4	947.1	947.0	944.9	944.9	952.8	-7.9
Pharmaceuticls	3714.8	3709.3	3710.3	3704.5	3718.5	3720.1	3720.6	3731.0	3717.6	3717.0	3729.5	-12.5
Water	1820.5	1819.7	1819.1	1819.2	1827.9	1828.2	1828.3	1829.3	1840.6	1841.7	1822.4	+19.3
Banks, Retail	3076.9	3076.6	3060.5	3045.4	3054.9	3058.9	3050.1	3052.4	3040.2	3038.3	3084.6	-46.3

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: North Sea Assets (Fledgling). NAME CHANGE: Aerospace Engineering to Intelek (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

OBITUARY

DALAMAL LACHU MOHANDAS, born 22 May 1952 in Tangier, passed away peacefully in London on the 18th April, 1995. Survived by mother Rupwanti, wife Shakuni, brother Deepu, sisters Usha, Soni and Jacquie, and Lola, and his in-laws Dr. Ramchand & Mrs. Gopi Bulchand. Cremated 19th April. Condolence meeting on April 21st, at 18:15 at Global Co-operative House, 65 Pound Lane, London NW10 2HH (Phone 0181-459-1400).

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 19 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Apr 19 / Frs.) [illegible]

CZECH REP (Apr 19 / Koruna) [illegible]

DENMARK (Apr 19 / Kr) [illegible]

FINLAND (Apr 19 / Mka) [illegible]

FRANCE (Apr 19 / Frs.) [illegible]

GERMANY (Apr 19 / Dm.) [illegible]

GREECE (Apr 19 / Drachma) [illegible]

ITALY (Apr 19 / Lire) [illegible]

NETHERLANDS (Apr 19 / Fls.) [illegible]

NORWAY (Apr 19 / Kroner) [illegible]

POLAND (Apr 18 / Zloty) [illegible]

PORTUGAL (Apr 19 / Escudo) [illegible]

SPAIN (Apr 19 / Pts.) [illegible]

SWEDEN (Apr 19 / Kronor) [illegible]

SWITZERLAND (Apr 19 / Frs.) [illegible]

TURKEY (Apr 19 / Tk Lira) [illegible]

PACIFIC

JAPAN (Apr 19 / Yen) [illegible]

AUSTRALIA (Apr 19 / Aust$) [illegible]

HONG KONG (Apr 19 / H.K.$) [illegible]

INDONESIA (Apr 19 / Rupiah) [illegible]

MALAYSIA (Apr 19 / MYR) [illegible]

NEW ZEALAND (Apr 19 / NZ $) [illegible]

SINGAPORE (Apr 19 / S$) [illegible]

SOUTH KOREA (Apr 19 / Won) [illegible]

TAIWAN (Apr 19 / TW $) [illegible]

THAILAND (Apr 19 / Baht) [illegible]

NORTH AMERICA

CANADA

TORONTO (Apr 19 / Can $) 4 pm close [illegible]

MONTREAL (Apr 19 / Can $) 4 pm close [illegible]

AFRICA

SOUTH AFRICA (Apr 19 / Rand) [illegible]

INDICES

	Apr 19	Apr 18	Apr 17	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13413.16	13529.16	16531.19	2/1	9831.89	9/3
Australia							
All Ordinaries(1/1/80)	2040.4	2040.5	(c)	2049.58	18/4	1823.30	8/2
All Mining(1/1/80)	952.5	948.2	(c)	952.50	19/4	795.30	8/2
Austria							
Credit Aktien(30/12/84)	354.63	355.33	(c)	385.42	2/1	359.32	30/3
Traded Index(2/1/91)	950.36	950.86	(c)	1056.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1363.35	1361.73	(c)	1391.22	6/1	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	31938.0	31131.0	43199.80	2/1	21382.80	9/3
Canada							
Metals Minls♦(1975)	(u)	4158.76	4192.09	4326.07	18/1	3808.63	1/3
Composite♦ (1975)	(u)	4298.40	4302.7	4319.48	30/3	3891.41	30/1
Portfolio§§ (4/1/83)	(u)	2142.43	2140.9	2145.48	13/4	1948.39	31/1
Chile							
IPGA Gen (31/12/80)	(u)	5315.0	5308.8†	5518.21	17/1	4576.89	9/3
Denmark							
CopenhagenSE(3/1/83)	336.94	336.91	(c)	357.07	13/2	330.01	29/3
Finland							
HEX General(28/12/90)	1680.1	1659.4	(c)	1940.38	10/1	1556.30	29/3
France							
SBF 250 (31/12/90)	1233.43	1226.18	(c)	1264.23	5/1	1153.14	10/3
CAC 40(31/12/87)	1874.90	1855.70	(c)	1901.79	4/1	1721.89	13/3
Germany							
FAZ Aktien(31/12/58)	724.70	732.76	(c)	795.81	15/2	708.87	30/3
Commerzbank(1/12/53)	2067.20	2091.30	(c)	2289.09	16/2	2018.70	30/3
DAX (30/12/87)‡	1951.04	1965.29	(c)	2135.94	15/2	1910.96	28/3
Greece							
Athens SE(31/12/80)	802.11	792.29†	788.83	888.22	4/1	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	8581.86	8644.97	(c)	8827.83	28/3	6967.93	23/1
India							
BSE Sens.(1979)	3384.52	3421.39	3460.46	3932.09	2/1	3233.31	22/2
Indonesia							
Jakarta Comp.(10/8/82)	414.21	414.96	417.84	481.22	6/1	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	1858.08	1852.79	(c)	1992.77	10/2	1813.59	23/1
Italy							
Banca Comm Ital (1972)	615.73	610.84	(c)	680.54	10/2	587.99	23/3
MIB General (2/1/95)	973.0	965.0	(c)	1076.80	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	16376.08	16225.11	16304.15	19723.06	2/1	15381.29	3/4
Nikkei 300 (1/10/82)	242.05	240.35	241.51	287.17	2/1	228.85	24/3
Japan							
Topix (4/1/68)	1306.56	1297.95	1302.93	1559.09	2/1	1239.67	24/3
2nd Section (4/1/68)	1669.05	1672.98	1674.20	2133.86	2/1	1601.53	24/3
Malaysia							
KLSE Comp.(4/4/86)	983.82	984.30	982.83	998.78	5/4	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	1791.92	1825.13	2354.25	2/1	1165.95	5/4
Netherland							
CBS TtlRtnGen(End 83)	432.7	434.0	(c)	447.80	10/2	422.90	23/3
CBS All Shr (End 83)	271.1	272.0	(c)	280.40	10/2	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2113.28	2114.32	(c)	2114.32	18/4	1981.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1099.86	1095.87	(c)	1152.66	8/2	1036.60	10/3
Philippines							
Manila Comp (2/1/85)	2477.86	2477.63	2487.95	3095.28	3/1	2248.39	27/3
Portugal							
BTA (1977)	2768.6	2759.2	(c)	2911.89	9/1	2682.40	26/1
Singapore							
SES All-S'pore(2/4/75)	491.55	491.75	491.99	536.08	5/1	472.99	23/1
South Africa							
JSE Gold (28/9/78)	1558.9♥	1518.9	(c)	2023.90	2/1	1357.80	27/3
JSE Indl. (28/9/78)	6894.0♥	6879.5	(c)	6894.40	2/1	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	909.86	917.06	918.89	1027.37	2/1	865.69	28/2
Spain							
Madrid SE (30/12/85)	274.75	276.35	278.40	290.08	6/2	264.08	23/3
Sweden							
AffarsvardsGen (1/2/37)	1509.6	1509.3	(c)	1593.80	14/2	1439.89	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1182.82	1195.49	(c)	1257.89	14/2	1174.63	13/3
SBC General (1/4/87)	885.84	894.75	(c)	929.91	4/1	878.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	6109.60	6108.56	6112.07	7124.66	3/1	6108.56	18/4
Thailand							
Bangkok SET (30/4/75)	1158.78	1177.83	1194.13	1373.85	5/1	1135.89	16/3
Turkey							
Istanbul Comp.(Jan 1986)	50663.6	49469.6	49678.9	50663.60	19/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	660.2*	659.4	660.6	660.80	17/4	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1262.20	1269.49	(c)	1348.39	10/2	1222.41	13/3
Euro Top-100 (26/6/90)	1160.16	1165.66	1174.58	1202.67	10/2	1114.54	10/3
JCapelDrgns (31/12/88)	(u)	308.13	308.80	308.58	14/4	262.07	23/1
Barings Emerg.(7/1/92)	135.64	135.02	134.32	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Mar	1858.0	1888.0	+15.0	1895.0	1854.0	26,350	25,571
Apr	1854.5	1885.5	+23.0	1888.0	1854.0	1,877	10,971
DAX							
Jun	1946.5	1952.0	-9.00	1958.0	1945.5	14,095	-
Sep	1969.5	1974.5	-14.0	1976.0	1969.5	59	-
OMX							
Apr	1164.00	1171.00	+2.50	1172.00	1164.00	3,574	22,858
May	1153.75	1156.00	-4.75	1158.00	1153.00	938	2,533
SOFFEX							
Apr	2538.5	2516.5	-28.5	2539.5	2515.0	9,150	13,886
Jun	-	2480.0	-	-	-	294	1,016

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	507.70	507.40	-0.35	508.35	506.90	73,562	198,030
Sep	511.85	511.80	-	512.20	511.80	388	12,089
Nikkei 225							
Jun	16110.0	16420.0	+190.0	16460.0	16040.0	27,370	126,594
Sep	16340.0	16500.0	+160.0	16500.0	16340.0	11	97

Open Interest figures for previous day.

** Sat Apr 15: Taiwan Weighted Price 6247.75; Korea Comp Ex 911.41. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100; ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 19 - 1949.88 -10.74.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 18	Apr 17	Apr 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4179.13	4195.28	4208.18	4208.18 (13/4)	3832.08 (30/1)	4208.18 (13/4/95)	41.22 (2/7/32)
Home Bonds	98.63	98.77	98.90	98.99 (13/4)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1635.74	1648.79	1667.65	1667.65 (13/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	191.27	190.28	192.72	198.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4221.67 (4260.06) Low 4152.15 (4174.63) (Theoretical♦)
Day's high 4204.03 (4237.28) Low 4169.10 (4189.51) (Actual♦)

Standard and Poors	Apr 18	Apr 17	Apr 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	505.37	506.13	509.23	509.23 (13/4)	459.11 (3/1)	509.23 (13/4/95)	4.40 (1/6/32)
Industrials♥	600.42	601.58	604.80	604.80 (13/4)	546.28 (3/1)	604.80 (13/4/95)	3.62 (21/6/32)
Financial	47.58	47.46	47.63	47.81 (7/4)	41.41 (2/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	273.03	273.54	275.00	275.89 (13/4)	250.73 (3/1)	275.89 (13/4/95)	4.46 (25/4/42)
Amex Mkt Val	471.85	473.11	471.96	473.11 (17/4)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	825.74	830.82	832.64	832.84 (13/4)	743.58 (3/1)	832.84 (13/4/95)	54.87 (31/10/72)

RATIOS

	Apr 13	Apr 7	Mar 31	Year ago
Dow Jones Ind. Div. Yield	2.60	2.61	2.64	2.77
	Apr 12	Apr 5	Mar 29	Year ago
S & P Ind. Div. yield	2.25	2.26	2.27	2.51
S & P Ind. P/E ratio	18.15	18.11	18.05	23.67

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Tele Danm	20,704,300	26⅛	+¼
AirTouch	7,130,900	25	-⅛
Compaq	5,631,200	34	—
Motorola	5,215,400	52¾	-¼
Chase Man	4,024,100	44¾	+2⅛
Chrysler	3,907,700	46¾	-1⅛
Stone Cont	3,478,200	19⅝	-1¾
Citicorp	2,973,300	47¼	-⅛
Ford Motor	2,808,100	27⅞	+⅛
Kmart	2,666,900	14¾	+⅛

TRADING ACTIVITY

● Volume (million)	Apr 18	Apr 17	Apr 13
New York SE	344.456	325.699	301.518
Amex	20.458	16.711	15.595
NASDAQ	353.885	335.650	338.830
NYSE			
Issues Traded	2,975	2,975	2,962
Rises	955	1,109	1,282
Falls	1,239	1,123	896
Unchanged	781	743	804
New Highs	60	144	111
New Lows	27	23	22

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Wednesday, April 19, 1995

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.4m	337	
Toshiba	5.8m	555	-9
Mitsui Mining	3.2m	347	-1
Sanrio	2.6m	1040	+83
Kawasaki Steel	2.4m	348	+3
NKK	2.4m	234	-1
Sumitomo Mtl Ind	2.4m	275	+4
Mitsubishi Hvy	2.3m	621	-1
Mitsubishi Oil	2.3m	864	+25
Fudo Const	2.2m	857	+5

4 pm close April 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
14¼	12⅛	AAR	0.48	3.6	22	95	13½	13¼	13¼	
24	19¾	ALPharmaA	0.18	0.8	293	1365	u24	23½	23½	-¼
39⅞	35	AMP	0.92	2.4	21	3214	38¾	37¾	37⅞	-⅝
70	63⅞	AMR			28	11150	67¼	64½	64⅝	-2⅜
47⅞	41⅞	ASA	1.71	3.7	30	2029	47⅝	46⅜	46⅜	-1
39⅛	30¾	AbbtL x	0.84	2.3	19	9188	37¾	37	37⅛	-¾
14⅝	12	Abitibi Pr	0.40	2.9	19	91	14⅛	13⅞	14	-⅛
24⅜	21	ABM Ind	0.60	2.7	13	32	22½	22¼	22½	+¼
16⅝	14¼	Acpincoln			8	41	14¾	14¾	14¾	-⅛
27	21⅞	ACE Ltd	0.44	1.7	8	2546	26⅝	26⅛	26½	
9¾	8½	ACM Gvt In	0.90	10.8	7	458	8⅜	d8⅛	8¼	+⅛
7½	6½	ACM GvOpp	0.66	9.6		222	6⅞	6¾	6⅞	
7½	5¾	ACM Gvt Sp	0.75	12.2		732	6¼	6	6⅛	
8⅝	7¼	ACM Gvt Se	0.90	12.2		266	7½	7⅜	7⅜	
8½	7⅝	ACM Man	1.08	13.1		170	8¼	8	8¼	+¼
7⅝	7⅛	ACM Managd	0.72	9.8		243	7½	7⅜	7⅜	
19¼	10¼	AcmeClv	0.48	2.7	10	172	18	17¾	18	+⅛
21½	12⅜	Acme Elect			21	121	19⅛	18⅞	18⅛	-⅛
34½	31⅜	Acordia	0.72	2.2	16	13	33	33	33	-⅛
11⅜	8⅝	Actava	0.36	3.8	7	352	9½	9⅛	9½	+⅜
16¾	11⅛	Acuson			18	465	11½	11¼	11⅜	
16⅞	15⅝	Adams Expr	0.48	2.8	0	328	u17	16¾	17	+⅛
68½	53	Ad Micro				66	66	66	66	
36⅞	25	AdvMic			9	7057	34	32½	32⅞	-1
6⅜	5	Advest Grp	0.16	2.8	28	39	5¾	5⅝	5¾	+⅛
21¾	16½	Advo Inc	0.10	0.5	17	298	u21⅜	20¾	20¾	-¼
75¾	63⅞	Aegon ADR	1.47	1.9	15	74	u76⅞	76½	76½	+¾
4⅞	3⅜	Aerflx			5	210	3⅞	3⅝	3⅞	
59	46¾	AetnaL	2.76	4.9	13	6807	57⅞	56⅝	56⅞	-⅝
[illegible]										

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
60½	55⅝	Belo A	0.64	1.1	17	203	[illegible]			
29¾	23	Bemis	0.64	2.3	20	210	[illegible]			
55	49½	Benef 4.3P	4.30	8.0		2	[illegible]			
42½	37	Benef	1.72	4.3	12	797	[illegible]			
24⅛	18	Benetton A	0.47	2.8	10	60	[illegible]			
¾	⅝	Benguet B	0.04	5.8	68	475	[illegible]			
29⅛	19½	BergBr	0.50	2.0	16	667	[illegible]			
25950	20100	BerkH			28	1	[illegible]			
10	8¾	Berry Petr	0.40	4.2	190	135	[illegible]			
33⅝	19⅞	Best Buy			21	17035	[illegible]			
26½	24⅝	Beth St 2	2.50	10.0		174	[illegible]			
51¾	48⅞	Bethlhm Pf	5.00	10.1		93	[illegible]			
19⅛	14¼	BethSt	0.40	2.6	44	3412	[illegible]			
46⅝	42	Betz L	1.44	3.4	17	404	[illegible]			
16⅛	12½	BevEnt			18	7909	[illegible]			
19¾	16¼	BiocraR	0.10	0.5	158	812	[illegible]			
22¾	17½	Birmhgm S	0.40	2.0	14	1203	[illegible]			
29⅞	23	BlDeck	0.40	1.4	21	4458	[illegible]			
24⅛	20¾	Black H PL	1.34	5.9	13	71	[illegible]			
8⅝	7¾	BlckrckAdv x	0.68	8.2		186	[illegible]			
7¼	6⅛	BlckrckInc x	0.75	10.9		277	[illegible]			
8⅞	8⅛	BlckrckTgt x	0.65	7.6		872	[illegible]			
46⅝	33⅜	Block	1.25	2.9	23	5077	[illegible]			
6⅞	6	Blue Chip	0.12	1.8		535	[illegible]			
16¼	15⅜	BMC Ind.	0.08	0.5	15	449	[illegible]			
56⅜	44⅜	Boeing	1.00	1.8	21	8922	[illegible]			
36⅞	25¼	BoiseC	0.60	1.8	38	5735	[illegible]			
22¼	14⅝	Bolt B & N	0.08	0.3	39	337	[illegible]			
10⅞	7¾	Bombay Co			17	256	[illegible]			
[illegible]										

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- B -

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- C -

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- D -

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4 pm close April 19

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close April 19

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AMEX COMPOSITE PRICES

4 pm close April 19

[illegible]

AMERICA

Worries over inflation prospects beset Dow

Wall Street

US shares fell in early trading yesterday as investors worried that inflation caused by higher import and commodity prices would hurt the prospects for an economic "soft landing", *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 12.45 lower at 4,166.68, while the Standard & Poor's 500 had fallen 3.30 to 502.07.

The American Stock Exchange composite was off 1.58 at 470.27 and the Nasdaq composite lost 12.10 at 813.64. Trading volume on the New York Stock Exchange was heavy at 237m shares.

News that the trade deficit in February was smaller than most economists had predicted failed to cheer the equity market.

Before the opening the Commerce Department reported that the trade gap had fallen to $9bn for February, down from $11.95bn posted in the first month of the year.

The day's tone was set by the dollar which hit a new post-World War II low against the Japanese yen in overnight trading, although it did bounce back by the time the US market had opened.

The Nasdaq composite was battered by large declines in leading health care and technology companies. In early afternoon trading the index was 1.5 per cent lower versus a 0.7 per cent decline in the S & P 500 and a 0.3 per cent decline in the Dow.

Among the stocks taking the Nasdaq lower were US Healthcare, down $5 at $34¾, and Oxford Health Plans, which lost $7 at $47¾. Hurting those companies was a statement by the United Wisconsin Services to the effect that it expected significantly lower first quarter earnings at health care companies known as health maintenance organisations or HMOs.

Declining Nasdaq technology issues included Bay Networks, off $3⅞ at $33⅞, Intel, down $2 1/16 at $92¼ and Apple Computer, which lost $1 9/16 at $35 5/16.

Broader indices were also hit by the sell-off in healthcare and maintenance stocks: on the NYSE United Healthcare lost $4⅝ at $39m and Humana fell $3⅞ at $20⅞.

One factor helping the Dow outperform other indices was a jump in the price of Eastman Kodak, which announced first quarter earnings of 76 cents per share, more than 22 cents ahead of the median analyst estimate. Shares in the company gained $3 at $55⅞.

Canada

Toronto mirrored weakness on Wall Street and turned lower at midday in spite of strong gains in precious metals.

The TSE 300 composite index declined 12.51 to 4,286.88, weaker sectors including consumer products, banks and base metals as golds rose 94.52 to 10,490.05.

Inco, the leading mining group, fell C$1⅛ to C$36¼ in spite of a first quarter return to profits, reported late on Tuesday, and the news at yesterday's annual meeting that the group will boost output by at least 20 per cent over the next five years.

Maple Leaf Foods rose C$⅝ to C$13⅛ in 58,792 shares after shareholders voted in favour of a C$1.06bn merger offer led by the Wallace McCain family.

Royal Oak Mines eased 10 cents to C$4.90 with 59,900 shares traded after announcing a takeover bid for El Condor Resources.

SOUTH AFRICA

A firm gold bullion price lifted equities and encouraged overseas participation in the market. The overall index added 34.9 at 5,439.9, industrials put on 14.5 at 6,694 and golds gained 44.0 at 1,558.9.

Among the most active issues, Anglos rose R1.25 to R2.10, De Beers advanced R1.50 to R97 and SAB firmed 50 cents to R97. In golds, Kloof appreciated R1 to R43.25 and Vaal Reefs R10.50 to R263.

Interest rate news cheers Mexico

Mexican stocks made slight gains in early trade as an expected rise in interest rates did not materialise and the heavily weighted Telmex formed an alliance with Sprint, of the US. The IPC index was up 0.43 at 1,792.35. Investors were relieved after the benchmark 28-day Cetes rate was left unchanged at 76.5 per cent.

ARGENTINA was stronger on buying of oil and petrochemical shares. In Buenos Aires the Merval index was up 7.53 at 366.32 by mid-morning. Turnover was firm at 23.67m pesos.

BRAZILIAN equities were given a boost by gains in telecommunications issues. The Bovespa index had climbed 796 to 32,735 in low turnover of R$143.9m by midday. Telebras led the way with a rise of 3.6 per cent to R$28.60, after the government announced plans to privatise companies in the sector.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	Apr. 14 1995	% Change over week	% Change on Dec '94	Apr. 14 1995	% Change over week	% Change on Dec '94
Latin America	(257)	407.50	-3.9	-29.8			
Argentina	(30)	632.28	-2.6	-13.9	388,291.35	-2.5	-13.8
Brazil	(72)	252.21	-6.0	-34.4	856.43	-5.1	-29.7
Chile	(36)	754.19	-1.5	-3.8	1,195.91	-1.4	-5.1
Colombia[1]	(16)	723.65	-0.6	-10.8	1,109.93	-0.9	-7.1
Mexico	(71)	377.53	-4.3	-37.9	1,024.96	-5.4	-20.6
Peru[2]	(20)	171.60	+5.3	-3.8	235.84	+4.4	-0.8
Venezuela[3]	(12)	411.34	+0.1	-16.9	1,605.50	+0.1	-16.9
Asia	(657)	237.60	+0.0	-4.7			
China[4]	(20)	70.61	-1.7	-6.9	75.17	-1.7	-7.2
South Korea[5]	(159)	127.13	-0.9	-7.1	128.56	-0.9	-9.3
Philippines	(25)	254.20	+1.4	-14.7	320.51	+1.5	-8.8
Taiwan, China[6]	(93)	149.24	-1.3	-9.2	142.04	-2.5	-12.5
India[7]	*(101)*	*106.12*	*-0.5*	*-14.1*	*118.21*	*-0.6*	*-14.1*
Indonesia[8]	(42)	89.70	-2.9	-10.1	108.67	-2.9	-8.7
Malaysia	(114)	272.38	+0.2	+1.3	247.78	-1.0	-2.2
Pakistan[9]	(36)	293.35	-3.3	-19.9	410.96	-3.3	-19.7
Sri Lanka[10]	(19)	136.55	-0.3	-20.6	145.92	-0.3	-21.3
Thailand	(68)	364.12	+1.9	-5.1	355.01	+1.8	-7.1
Euro/Mid East	(147)	136.85	-1.6	+15.5			
Greece	(40)	224.65	-4.1	-0.4	343.44	-3.7	-6.6
Hungary[11]	(5)	111.86	-1.9	-26.3	160.06	-1.2	-22.5
Jordan	(8)	161.83	-0.4	+7.9	234.14	-0.2	+5.3
Poland[12]	(16)	427.30	+4.0	-9.0	634.57	+5.0	-11.9
Portugal	(29)	127.26	-0.3	+5.1	128.53	+0.4	-3.0
South Africa[13]	(62)	229.97	-2.3	+2.3	171.17	-2.0	-9.5
Turkey[14]	(44)	174.10	+3.5	+43.0	3,493.09	+5.2	+57.8
Zimbabwe[15]	(5)	224.64	+0.8	-8.2	280.23	+0.5	-7.0
Composite	(1061)	263.90	-1.6	-14.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 6 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

While Latin America's main equity markets of Mexico and Brazil have been holding their ground over the past week, there are serious concerns that the worst is not yet over, *writes John Pitt.*

Salomon Brothers' strategists, for instance, remark that in spite of some confidence having been generated by the establishment of Mexico's macroeconomic programme, "desperately needed capital flows from foreign investors are very hard to predict". The reason for this is clear, according to Salomon: many investors believe that the country cannot adhere to its austerity policies for much more than two months "unless there is some decline in interest rates and/or there are indications of the beginnings of capital inflows".

Brazil also faces a difficult few months, according to Ms Janet Krengel and Mr Neil Dougall, Kleinwort Benson's Latin America economists. In their view, while the medium to longer term picture looks positive – "Brazil is definitely not another Mexico in waiting" – a rise in interest rates is likely as the government struggles with excessive economic growth and a weak currency.

They forecast a rise of 2 percentage points in overnight interest rates to 9 per cent by June, the Real falling by more than 20 per cent against the dollar by the end of the year, and an annual inflation of 46 per cent by December 1995.

EUROPE

Paris gains coincide with franc decline

Weakness in the dollar claimed more share price victims yesterday, *writes Our Markets Staff*, particularly in hard currency areas.

PARIS, however, recovered from early weakness, and also recouped most of Tuesday's loss, its gains coinciding with a further decline in the French franc on the currency markets. Some traders said this might give a boost to export competitiveness, and had led to speculative buying.

The CAC-40 index rose 19.20 or 1 per cent to 1,874.90, after a low of 1,843.13, as turnover improved to just over FFr3bn.

Some brokers attributed the market's gain to expectations of a victory by Mr Jacques Chirac in the presidential election. Such an outcome would lead to a short term boost to economic growth, they said, based on the pre-election pledges he has made, particularly with regard to creating job opportunities in an effort to reduce unemployment. There were worries, however, over Mr Chirac's commitment to the *franc fort*, an issue which has led in the past two days to sharp exchanges between him and the central bank governor.

Bouygues, the construction group, was one of the day's best performers, up FFr17 or 3.1 per cent to FFr574, following strong results and a number of brokers' upgrades.

Alcatel Alsthom remained heavily traded, the shares losing FFr9.40 to FFr488.50 on a broker's downgrade. But there was better news from financial sector stocks which were weak on Tuesday, as SocGen put on FFr7 at FFr528 and Paribas FFr6.40 at FFr299.40.

FRANKFURT's Dax index fell through 1,951.04 at the session close to an Ibis-indicated 1,943.88, down 10.74 on the day.

Turnover rose from DM3.8bn to DM4.8bn. DB Research forecast that the strength of the D-Mark and the yen would persist in coming months, weakening 1996 growth expectations in associated regions. Dealers picked the obvious victims in carmakers and steels, BMW and Continental, the tyremaker, following Daimler's recent decline with falls of DM16 to DM689, and DM5.50 to DM196 respectively.

Daimler slid another DM6.80 to DM611.20 as its aerospace arm, Dasa, pointed up the group's particular sensitivity to the dollar rate with a forecast of a current year loss of DM100m if the dollar does not recover, and its consideration of a production move abroad.

Mr Christopher Will, automotive analyst at Lehman Brothers in London, said that BMW was potentially much less sensitive than Daimler to the dollar rate as the former's car production builds up in the US, but that share prices were moving currently on sentiment, rather than on realities.

FT-SE Actuaries Share Indices

Apr 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1259.33	1258.87	1258.94	1262.47	1263.48	1263.61	1261.66	1262.20
FT-SE Eurotrack 200	1362.03	1361.15	1359.74	1363.21	1362.78	1365.47	1363.74	1367.98

	Apr 18	Apr 13	Apr 12	Apr 11	Apr 10
FT-SE Eurotrack 100	1269.49	1281.66	1281.77	1281.08	1282.54
FT-SE Eurotrack 200	1372.33	1381.03	1378.71	1380.31	1376.53

Base 1000 (26/10/90); Highday: 100 - 1264.77; 200 - 1367.98 Lowday: 100 - 1257.89 200 - 1358.26 †Partial

AMSTERDAM fell away as dollar weakness exerted its pressure on a market particularly vulnerable to movements in the US currency. The AEX index gave up 1.13 to 404.34.

Hoogovens slid by 8.1 per cent, down Fl 5.20 to Fl 59.30 but up from a low of Fl 58.50, as the steel group warned that second half profits in 1995 could well be below those of the first six months. The warning came mainly because of the company's exposure to the dollar.

Philips went in the opposite direction, rising 10 cents to Fl 54.70 as investors took positions in anticipation of good first quarter results due to be released next week, while its subsidiary, Polygram, slipped 30 cents to Fl 87.

ZURICH saw the SMI index fall 30.3 to 2,516.8 on dollar worries. Losses in financials were generally smaller than in industrials, but there was an exception in CS Holding which fell SFr10 to SFr482. CS Holding postponed a series of presentations to European investors in London, Zurich and Frankfurt to some time in the second half of this year; it offered no special reasons, but analysts said that the delays contributed to yesterday's share price fall.

MILAN could find little reason to build up momentum ahead of this weekend's regional elections. The Comit index rose 4.89 to 615.73.

DUBLIN liked the Jefferson Smurfit results, and the papermaker recovered 5p to 350p although analysts still worried that the stock will be overshadowed by threats of capacity increases in the US linerboard market. The ISEQ overall index rose 2.92 to 1,855.71.

WARSAW, encouraged by Tuesday's 2.6 per cent gain in the Wig index, added another 6.6 per cent in heavy volume. The index put on 503.2 to 8,125.6 as turnover rose to 107m zlotys, and volume to 5m shares, both double the amounts seen during the previous session.

Analysts commented that the market was likely to continue on an upward path for the rest of the week since many stocks were undervalued having touched year lows at the end of March.

ISTANBUL broke up through 50,000, the composite index closing 1,394.03, or 2.8 per cent higher at yet another new all time high of 50,863.64. Volume followed suit, peaking at TL19,500bn against TL15,750bn on Tuesday. The index, up 15.4 per cent in February and 36.8 per cent in March, has climbed another 27.7 per cent so far this month.

ATHENS took heart from the Ionian Bank's deposit rate cut on Tuesday. The general index rose 9.92, or 1.2 per cent to 802.11, with more participation from foreign investors.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei firmer despite yen's further climb

Tokyo

Arbitrage linked buying supported prices, leaving the Nikkei index moderately higher in spite of the yen's rise to another record high against the dollar, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was ahead 150.97 at 16,376.08 after fluctuating between 15,976.86 and 16,424.06. Equities lost ground in the morning as the dollar fell to a new post-war low, breaching the Y80 level, but institutional investors supported share prices in the afternoon.

The Topix index of all first section stocks gained 8.61 at 1,306.56 and the Nikkei 300 put on 1.70 at 242.05. Advances led declines by 551 to 428, with 172 issues unchanged. In London the ISE/Nikkei 50 index was 0.69 firmer at 1,073.91.

Volume was 252m shares, against 149m. Arbitrageurs dominated trading, while the yen's climb kept most investors on the sidelines. Traders noted a brief lull in the afternoon following reports of a noxious gas attack in Yokohama.

The market's improvement relieved investors. "Although it does not necessarily mean that the Nikkei is going to rise, at least 16,000 seems to be the bottom for now," said Mr Yasuo Ueki at Nikko Securities.

Electric power utilities continued to gain, with the sector index rising 1.9 per cent. The sector has been bought by individuals and dealers over the past few days for its relatively high dividend yields. Tokyo Electric Power moved up Y30 to Y2,750 and Kansai Electric Power Y40 to Y2,350.

Steel companies were traded actively on hopes that a fall in interest rates would help earnings. Nippon Steel, the most active issue of the day, was unchanged at Y337 but Kawasaki Steel rose Y3 to Y348.

Mining shares were bought in the morning by dealers encouraged by the overnight rise in gold prices in New York. Sumitomo Metal Mining rose Y18 to Y749, but Mitsui Mining & Smelting eased Y1 to Y347 on profit-taking.

While the high yen did not affect the overall market, high-technology stocks lost ground on earnings concerns: Toshiba dipped Y9 to Y555, NEC Y3 to Y897 and Sony Y30 to Y4,130.

In Osaka, the OSE average gained 20.96 at 17,918.32 in volume of 9m shares.

Roundup

Several of the region's markets declined yesterday, some for specific reasons and others on caution associated mostly with currency market fluctuations.

BANGKOK fielded heavy selling of finance issues by foreign investors worried that large new rights issues will hit earnings in the sector. The SET index weakened 19.05 or 1.6 per cent to 1,158.78 in turnover of Bt3.2bn.

In the finance sector, Dhana Siam topped the actives list and fell Bt8 to Bt75.50 after it launched a new share issue, and CMIC shed Bt6 to Bt59.50 ahead of today's rights issue of 125.8m shares.

COLOMBO fell 1.5 per cent following a Tamil rebel attack which broke a 14-week truce. The rebels, fighting for a separate homeland in the north-east, attacked two navy boats, killing 12 sailors, and the CSE all-share index lost 12.06 at 798.03 as turnover edged up from Rs35.85m to Rs36.34m.

BOMBAY slipped after the central bank's announcements on Monday of measures to curb money supply and inflation. The BSE 30-share index shed 36.87 to 3,384.52, brokers saying the market would be unable to rise in the face of a tight credit policy. They added that speculators were taking profits on the last day of the account.

The Reserve Bank of India (RBI) raised interest rates on term deposits from 11 to 12 per cent, restricted loans to companies and finance houses, and banned bridging loans to companies awaiting funds from new equity issues.

SEOUL heard that the unlisted, debt-ridden Youone Construction had filed an application for court protection from its creditors. Its primary bank, Korea First, immediately sought the withdrawal of the application, saying that it wanted a third party to take over Youone; but the construction sub-index fell 6.94 to 446.32 and financials by 14.25 to 781.15 as the composite index slipped 7.20 to 909.86.

KARACHI sank to a new 1995 low on selling pressure in speculative stocks, the KSE 100 index finishing 15.20 down at 1,601.83, but brokers noted some institutional support towards the close.

HONG KONG's Hang Seng index lost 63.11 at 8,581.86. Caution was the watchword as turnover fell from HK$2.24bn to HK$1.61bn, reflecting dollar weakness and a consolidation from rises in recent months.

SINGAPORE was in similar mood as the Straits Times Industrial index relinquished 15.42 at 2,035.67.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 18 1995								MONDAY APRIL 17 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	175.57	1.2	161.39	90.47	124.84	157.53	1.1	3.85	173.55	159.27	90.04	123.75	155.82	180.82	157.95	170.40
Austria (27)	187.76	-0.3	172.58	96.75	133.50	133.42	-0.6	1.30	188.34	172.84	97.71	134.29	134.21	198.89	167.46	178.70
Belgium (35)	191.38	0.8	175.92	98.62	136.08	132.74	-0.2	3.97	189.87	174.24	98.50	135.38	133.04	191.38	161.66	164.62
Brazil (28)	115.37	2.4	106.04	59.45	82.03	191.86	2.2	1.88	112.66	103.39	58.45	80.33	187.77	–	–	–
Canada (103)	136.18	-0.3	125.18	70.17	96.83	135.06	0.1	2.59	136.57	125.33	70.85	97.37	134.92	140.25	120.54	125.62
Denmark (33)	267.52	1.0	245.91	137.85	190.22	195.94	0.7	1.82	264.85	243.06	137.41	188.95	194.57	275.27	236.51	248.99
Finland (24)	187.11	0.5	171.99	96.42	133.04	166.40	0.9	1.43	186.23	170.91	96.62	132.79	164.93	201.41	133.86	145.07
France (101)	181.09	-1.5	166.46	93.32	128.76	136.79	-1.1	3.15	183.85	168.72	95.38	131.09	138.37	186.25	157.79	170.63
Germany (59)	150.68	-0.6	138.51	77.65	107.14	107.14	-0.9	2.17	151.63	139.15	78.67	108.11	108.11	154.61	132.08	139.40
Hong Kong (55)	342.95	-0.6	315.25	176.73	243.86	340.41	-0.6	3.95	345.00	316.62	178.99	246.00	342.50	416.42	277.40	392.60
Ireland (16)	222.35	-0.9	204.39	114.58	158.11	189.82	-1.2	3.58	224.32	205.86	116.38	159.95	192.27	224.32	180.67	187.79
Italy (58)	70.45	-0.9	64.76	36.30	50.10	89.63	-0.1	1.71	71.07	65.22	36.87	50.67	89.76	97.78	65.45	89.09
Japan (483)	160.34	0.2	147.39	82.62	114.01	82.62	-0.5	0.92	159.97	146.81	83.00	114.07	83.00	170.10	136.95	158.64
Malaysia (97)	483.83	0.1	444.75	249.32	344.04	459.98	0.3	1.75	483.43	443.65	250.81	344.70	458.66	594.76	398.16	488.50
Mexico (18)	886.95	-1.2	815.28	457.04	630.56	6056.03	-1.5	1.79	897.77	823.90	465.77	640.13	6149.60	2414.12	647.81	1880.81
Netherland (19)	240.81	0.0	221.36	124.09	171.23	168.28	-0.5	3.75	240.91	221.09	124.99	171.78	169.05	240.91	194.56	200.90
New Zealand (14)	82.85	0.8	76.16	42.70	58.92	65.46	1.2	4.48	82.22	75.45	42.66	58.63	64.69	82.85	63.45	66.46
Norway (33)	217.37	-0.9	199.80	112.01	154.56	181.43	-0.8	2.33	219.41	201.36	113.83	156.44	182.99	219.41	177.53	193.22
Singapore (44)	362.11	-0.5	332.86	186.60	257.48	232.62	-0.6	1.85	363.91	333.97	188.80	259.49	233.99	401.38	313.94	337.06
South Africa (59)	349.75	1.7	321.49	180.23	248.69	274.89	1.3	2.47	343.90	315.60	178.42	245.21	271.08	353.13	216.43	216.43
Spain (38)	136.87	-1.2	125.81	70.53	97.32	127.19	-0.8	4.47	138.52	127.12	71.86	98.76	128.18	150.21	124.10	132.91
Sweden (48)	244.39	-1.9	224.65	125.94	173.78	264.10	-0.6	2.18	249.14	228.64	129.25	177.64	265.71	249.14	196.70	212.43
Switzerland (47)	185.42	-0.4	170.44	95.55	131.85	129.66	-0.5	1.34	186.09	170.78	96.54	132.69	130.31	186.09	149.91	160.58
Thailand (46)	137.84	-0.7	126.70	71.03	98.01	130.96	-0.8	3.24	138.76	127.34	71.99	98.94	132.08	–	–	–
United Kingdom (203)	208.64	-0.6	191.78	107.51	148.36	191.78	-0.5	4.28	209.92	192.64	108.91	149.66	192.64	209.92	181.11	189.74
USA (510)	206.47	-0.2	189.78	106.39	146.81	206.47	-0.2	2.76	206.82	189.80	107.30	147.47	206.82	208.11	179.72	180.19
Americas (659)	189.09	-0.2	173.79	97.42	134.43	158.58	-0.1	2.73	189.37	173.79	98.25	135.02	158.82	–	–	–
Europe (741)	181.09	-0.7	166.46	93.31	128.76	149.89	-0.6	3.26	182.33	167.33	94.59	130.01	150.77	182.33	160.59	166.55
Nordic (139)	235.27	-0.9	216.26	121.23	167.28	208.00	-0.2	1.96	237.38	217.85	123.15	169.26	208.35	237.38	187.70	203.91
Pacific Basin (822)	167.91	0.2	154.34	86.52	119.39	92.99	-0.4	1.28	167.55	153.76	86.93	119.47	93.32	178.86	145.93	167.31
Euro-Pacific (1563)	173.30	-0.2	159.29	89.30	123.22	114.83	-0.5	2.14	173.61	159.32	90.07	123.78	115.15	176.14	154.73	166.85
North America (613)	202.11	-0.2	185.78	104.15	143.71	201.62	-0.2	2.75	202.47	185.81	105.04	144.36	201.94	203.68	176.47	176.81
Europe Ex. UK (538)	162.30	-0.7	149.19	83.63	115.40	126.67	-0.7	2.69	163.48	150.03	84.82	116.57	127.52	163.48	144.12	150.26
Pacific Ex. Japan (339)	244.02	0.1	224.31	125.75	173.52	213.13	0.1	3.27	243.72	223.67	126.45	173.79	212.82	273.13	211.19	252.28
World Ex. US (1771)	173.51	-0.1	159.49	89.41	123.38	117.94	-0.4	2.16	173.74	159.45	90.14	123.88	118.42	176.65	155.42	167.09
World Ex. UK (2078)	180.79	-0.1	166.17	93.16	128.54	139.21	-0.3	2.17	180.96	166.07	93.88	129.03	139.63	180.96	163.46	168.57
World Ex. Japan (1798)	197.35	-0.3	181.41	101.70	140.33	182.47	-0.3	2.96	197.95	181.66	102.70	141.14	182.96	197.95	176.74	178.86
The World Index (2281)	183.23	-0.1	168.43	94.42	130.29	143.78	-0.3	2.37	183.50	168.40	95.20	130.84	144.24	183.50	165.92	170.44

Latest prices were unavailable for this edition.

هكذا من الاصل

BUSINESS AIR TRAVEL

Thursday April 20 1995

The market returns to a growth tack

Business class cabins are no longer deserted as employees are being allowed by their companies to move up from economy, writes Michael Skapinker

Business people returning to air travel after being grounded by their companies during the recession. will notice certain changes.

The first class section has disappeared from some aircraft, many more carriers are sharing codes and routes, and passengers are more assiduous than ever in collecting frequent flyer points.

There is now little doubt that people are making more flights. British Airways says its passenger numbers were up 6.6 per cent in the year to the end of March. Mr Eric Brannan, senior vice president for business travel at American Express, says most of his markets are growing strongly.

Business air travel has increased sharply in the last few months in the UK, Scandinavia, Italy and the Benelux countries, and the German market is recovering too, Mr Brannan says. France appears to be the only important European market where growth is weak.

Mr Adam Brown, vice president for strategic planning at Airbus, the European aircraft manufacturing consortium, expects this growth to continue. Air travel will increase by an average of 5.1 per cent a year over the next 20 years, he predicts. Although this is lower than the average 6.7 per cent growth between 1970 and 1993, it still means air travel will triple over the next two decades.

Mr Branman says companies in almost all sectors are encouraging their employees to travel more. The exception is financial services. Uncertainty in this sector means employees are not moving around as much as they did in the past. In manufacturing industry, on the other hand, business travel is growing strongly.

Passengers whose companies insisted on their flying economy during the recession are now moving back into business class. First class, however, appears to be on the way out.

KLM, the Dutch carrier, Continental Airlines of the US and Air Canada have all abolished first class, offering an upgraded business class instead. Virgin Atlantic of the UK has Upper Class, an enhanced business class section, but with the added attraction that seats recline to the horizontal position as they do in traditional first class cabins.

There are still first class travellers, particularly in the Asia-Pacific region, and airlines such as British Airways and Singapore Airlines continue to chase this business.

For the majority of travellers, however, the additional cost of first class travel is proving to be something which their employers are not prepared to countenance.

A typical business class fare from London to New York is £2,208 return. The equivalent first class flight would set you back £4,026. A business class ticket from London to Tokyo would cost £3,274 return. A first class ticket would be nearly £5,000.

Airlines report that the business class cabins have been fuller than in the past few years. Not all travellers are getting the flights they expect, however. One complaint is that flights which appear to involve no more than a landing en route sometimes end up requiring a change of aircraft.

One frequent traveller reports flying recently from Phoenix, Arizona to Toronto, with a stop in Dallas. The flight did more than stop in Dallas, however. Passengers travelling to Toronto had to take their bags and other belongings off the Boeing 757 which had brought them from Phoenix and change to a smaller MD-80.

At least that traveller flew with the airline on which he had booked. The rapid increase in code-sharing agreements means that many passengers end up flying with a different company from the one which they had expected.

Code-sharing occurs when, instead of flying on a particular route, an airline puts its two-letter code on another carrier's flight. This enables airlines to extend the range of services they offer without investing in new routes themselves. In many cases, they are unable to fly on these routes because of regulatory restrictions.

A recent example is the code-sharing agreement between Delta Air Lines of the US and Virgin Atlantic. Delta is not permitted to fly into London's Heathrow, Europe's busiest airport, with an unrivalled selection of connecting flights to other parts of the world.

This puts Delta at a disadvantage compared with UK carriers, such as British Airways and US rivals American Airlines and United Airlines, which are allowed to use Heathrow. By forging an alliance with Virgin, which has landing rights at Heathrow, Delta can offer its customers flights to and from the airport. Delta will sell tickets from the US to Heathrow, but passengers will fly on a Virgin aircraft.

Other prominent code-sharing agreements are those between BA and USAir and between KLM and Northwest of the US. The US Department of Transportation approved 39 international code-sharing agreements between 1987 and February 1993. A year later, the number had risen to 89.

Some airlines, such as American, have described code-sharing as a deception. The US transportation department and the UK's Civil Aviation Authority have found evidence of travellers not being told they would by flying on a different airline from the one which sold them their ticket.

Code-sharing appears to be here to stay, however. Even American has accepted that it has no alternative but to join in.

Mr Brannan says that while some travellers are worried about code-sharing, their employers are angry about frequent flyer points. Companies frequently ask him whether American Express can do anything to prevent airlines offering points to travellers. His answer is "no".

One US company which uses American Express to make its business travel arrangements worldwide does not allow any employees to benefit from frequent flyer points. A senior vice president has been fired for transgressing that rule.

Most companies turn a blind eye to employees accumulating points, but worry about it all the same. It does not matter so much when the employees are flying the company's preferred airline. The problems arise when competing airlines try to tempt travelling employees away from the company's preferred carrier. However, the airlines are expected to continue doing so and the employees will continue to be tempted.

Airlines are also trying to attract employees through improved service and on-board facilities. A choice of films and in-flight telephone and facsimile services is among the latest offerings. Many in the airline business believe, however, that what travellers really want are punctuality and convenient flight times.

Some travellers even object to the introduction of on-board telephones and faxes, saying a long flight has always been their only opportunity to get away from the demands of the office. "People do far less work on flights than you think," says one industry insider.

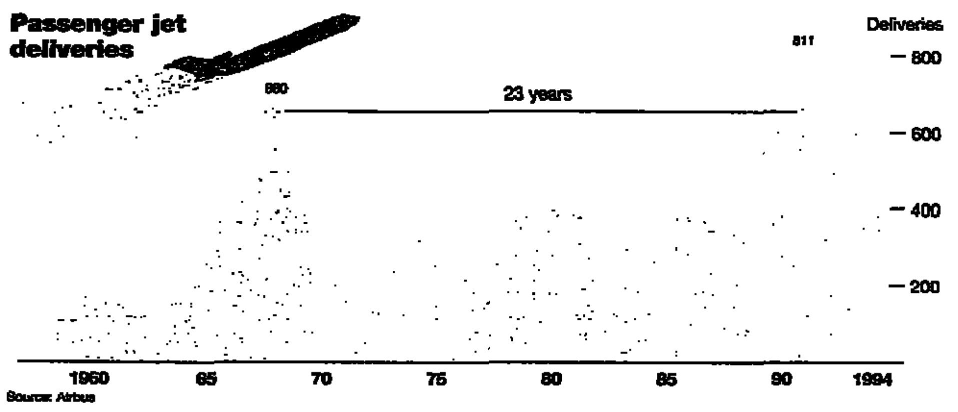
On short flights, business travel agents believe service counts for very little, when set against arriving on time. On long-haul flights, however, quality of service can make a difference to customers' choice of airline.

Mr Steven Lek, UK general manager of Singapore Airlines, which regularly wins service awards, believes too many carriers think looking after customers is something you do only on board.

Hotels catering for business travellers are no better, he says. Turn up before the 12 noon check-in time and you will be told to come back later. All companies dealing with business travellers need to understand that customers must be treated properly before checking in for their flights or into their hotel rooms.

Mr Lek says: "We like to call it queue combing." From the moment passengers arrive at the airport, airline staff begin to look for people who need help. The airlines which prosper over the next few years, he says, will be those who find a way of setting themselves apart from the competition.

American Airlines will test an in-flight entertainment system expected to be compatible with its digital telephones on transatlantic flights this summer



Source: Airbus

IN THIS SURVEY

Editorial production
Gabriel Bowman

It's harder to get to the front, writes **Scheherazade Daneshkhu**

Art of making the upgrade

Getting something for nothing is what most people secretly crave. For the business traveller, that is what an upgrade on a flight represents.

Upgrades to the front of the aircraft, either from economy to business class or from business to first class, have become harder to obtain in the past few years as business travel has gradually picked up after the recessionary turn of the decade.

Mr Alan Coles, vice-president, business travel operations, UK, at American Express, says: "Corporate travel has started to come back in the last six to nine months, although not to the levels of the 1980s boom. This means that airlines have less ability to offer upgrades because the premium cabins are more full."

Mr Richard Lovell, vice-president, North Europe, Carlson Wagonlit Travel, agrees. "Until this year, we had four years of lots of empty seats on aircraft. The basic rule is that upgrading is subject to availability. As airlines get more people paying real fares, availability is more limited."

He believes that airlines have become more professional about the way they choose to give upgrades, aided by the sophistication of their computers which contain more detailed information about their passengers, the fares they have paid and availability of seats on the aircraft.

"Airlines are more likely to give an upgrade to someone whom they have identified as important to them, either because they spend a lot of money with the airline or because they can influence the company's money spend, for example, a chief executive," says Mr Lovell.

Mr Ian Burns of American Airlines agrees. "There used to be more upgrading a few years ago but the industry has now become more focused on targeting individuals or corporations by doing deals with business travel agencies whose corporate clients will make a lot of flights with the airline."

Mr Coles of Amex says that this sort of negotiating often takes the form of the airline granting the corporate customer upgrades if a certain number of flights are made. The corporate customer can then choose the employees to whom it wishes to distribute the upgrades. But there can be a sting in the tail. "Upgrades are often obtained in lieu of a discount on a particular route deal. This may cause a conflict of interests between the employee who wants to travel in style and the corporate travel manager who wants to save money," says Mr Coles.

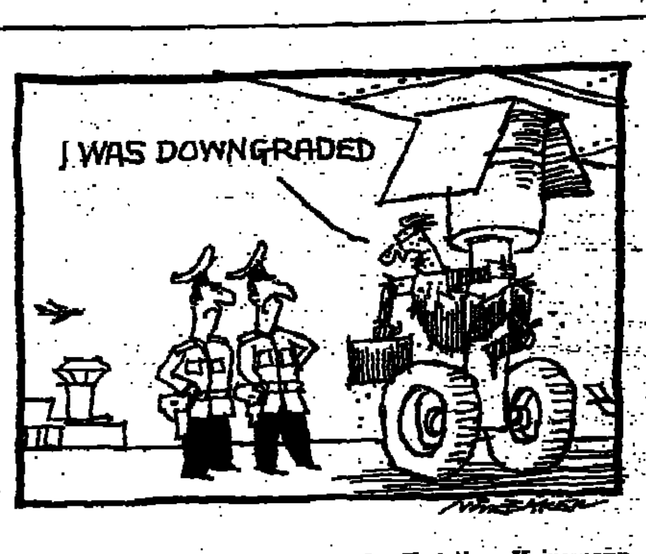
Some airlines choose to use upgrades as a marketing tool through special promotions. These can include the sale of a certain type of ticket entitling the passenger to an upgrade or for frequent business travellers during off-peak times.

Some American airlines are cited as more likely to give an upgrade than others, perhaps on new routes as a way of gaining market share. When United Airlines ran its route to Glasgow, which opened in 1993 and ended at the beginning of the year, it used upgrades as a commercial weapon by offering them to passengers paying the full economy fare.

Airlines have to balance the benefits of giving someone an upgrade against the potential backlash from passengers who have paid the correct fare for their transport class. Mr Mike Platt, director, commercial affairs at Hogg Robinson, says: "Some airlines now have a reputation for upgrades which has resulted in the big spenders going elsewhere. Upgrades are also none too popular with the crews and some would argue that they erode service standards in the cabin."

Who stands the best chance of getting an upgrade?

Paying the full fare for one class is usually a necessity – airlines are far less likely to upgrade a passenger to business class if he holds an Apex economy ticket when there are equally suitable upgrade candidates who have paid the full economy fare. Members of frequent flyer programmes are also likely to be head of the queue for upgrades. Once they accumulate the requisite number of miles, these can usually be traded in for free flights or for upgrades.



Dressing smartly is also a necessary, if not sufficient, condition. One multinational company said it had found that male employees in a dark suit were more likely to get an upgrade than others.

Mr Christian Heinzmann, general manager, Benelux countries, at Rosenbluth International, the travel agents, believes that getting an upgrade is still something of a lottery. Knowing someone at the airline is a big help, he says, and it does not necessarily have to be a key person in the airline but someone the passenger sees frequently, perhaps at the check-in gate. Passengers need to be flexible about sitting in smoking if they are non-smokers (and vice versa), while those travelling with children can forget about upgrades, Mr Heinzmann adds.

Perhaps the best chance of getting an upgrade is when a flight is fully booked. Mr Michael Blunt, public relations general manager, British Airways, says: "The only occasions when we give an upgrade are when a flight has been overbooked. Sometimes more people than we expect turn up and that's when we have to see if we have the space to upgrade a passenger.

"We will first upgrade those who are members of our executive club frequent flyer scheme or those who have paid more for their tickets than others, so long as they are smartly turned out."

Travels agents also say that it does no harm to ask to be upgraded. Arriving late for a fully booked flight is another old trick but it can be risky – you stand to lose the flight altogether.

■ CORPORATE AIRCRAFT

Owners in fractions

Timeshares in corporate jets are being promoted vigorously as a way of giving companies guaranteed access to business flying without using charter or going to the expense of owning and operating their own aircraft.

Promoters of such schemes dislike the term timeshare – although that is what it amounts to – and within the industry the concept is known as "fractional ownership".

In essence, a company buys a share – usually an eighth or a quarter – in a popular make of business jet, and thus gets an option to use the aircraft for that proportion of the model's annual flying. The user company also pays by the hour for crew, fuel and services such as air traffic control.

Fractional ownership is being introduced into the UK, with a view to Europe-wide operations, by JetCo, a subsidiary of Air London, a publicly quoted air charter broker. The concept has aroused controversy in the industry.

Supporters such as Mr Mike Riegel, JetCo's managing director, point out that corporate flying is being extended to individuals and companies that have never operated aircraft of their own. Some add that where timesharing an aircraft has helped a company to grow, it has subsequently bought a jet wholly for its own use.

Hard evidence that this has happened is difficult to find. The counter-argument to fractional ownership is put succinctly by Mr Graham Pasquill, managing director of the Business Air Centre (BAC), a leading London-based charter broker. "Why buy shares in the pub when you only want to drink there on Sunday lunchtimes?" he asks.

Fractional owners end up with a long-term commitment to fixed overhead costs and must take into account that the value of the aircraft may fall during ownership, he says.

"Ad hoc charter gives even a fairly regular user access to the full range of aircraft from a three-seat helicopter to a transatlantic executive jet. No downside, no commitment, no unpleasant engine overhaul bills – buy when you fly."

Ms Janice Hahn, a fellow BAC director, points out that one of the forces driving air charter business over the past year or so has been a big expansion in trade between western and eastern Europe.

Mr Riegel agrees. "About 40 per cent of our clients are involved in eastern Europe," he says. "They are simply not prepared to use the local airlines."

Mr Kevin Russell, a senior vice-president of Executive Jet Aviation (EJA), of Montvale, New Jersey, which has been operating a large fractional ownership programme since January 1987 in the US, says the key to a company's choice between charter, timeshare and full ownership is the number of hours flown.

EJA's scheme, called NetJets, offers eighth and quarter shares from a fleet of 39 business jets – which is large by industry standards. Mr Russell reckons an eighth share suits a company flying 100 hours a year, with twice that for 200 hours' flying. Those on more than 300 hours may find it worth considering full ownership.

There are important differences between EJA's and JetCo's schemes. For the first couple of decades after EJA was founded in 1964, it combined running its own business jet fleet with management and maintenance of aircraft owned by outside companies.

In the 1980s EJA was taken over by Mr Richard Santulli, who Mr Russell says devised fractional ownership. The idea was based on EJA's owning a large pool of identical aircraft – in addition to the timeshared fleet – guaranteeing that a part-owner's chosen type would be available within four hours, anywhere in the "Lower 48" continental US states.

In contrast, JetCo does not intend to own any aircraft. It will take an initial batch of four aircraft owned by an intermediary company and then sell all the shares in them.

Mr Riegel agrees that without an EJA-style core pool of aircraft to fall back on, JetCo would have to charter an extra aircraft whenever two part-owners wanted the jet simultaneously. "If we charter, it adds to the expense," Mr Riegel says. But the extra potential costs are factored into the price quoted to potential part-owners.

JetCo, formed last year, quickly ran into the question of conflict when inquiries started coming from Formula 1 racing teams. All the teams would want the same aircraft on the same day, to reach the same circuit.

JetCo's philosophy rests partly on the belief that "positioning" flights – moving empty aircraft between airports to collect passengers – will be minimised. Mr Riegel notes that charter charges can go up when the client has to pay both ways for a one-way flight.

Aircraft manufacturers are enthusiastic – as might be expected after deals like that struck in 1993 between EJA and British Aerospace Corporate Jets (now the Hawker division of Raytheon). This involved six firm orders and 14 options on the Hawker 1000 mid-size business jet, which costs up to \$13m.

To date, five options have been converted, making an 11-aircraft firm order in a market that hardly ever sells in more than ones and twos.

Both the 1000, with its transatlantic range, and the 800, which can fly the US coast-to-coast, are proving popular with fractional ownership operators. JetCo holds options on four 800s, priced at \$10.5m each, and Mr Riegel comments: "We are selling more of the mid-size than of the smaller jet."

David Boggis

■ **Traveller's tale:** Robert Collier

Face-to-face contact

Mr Robert Collier, joint managing director of Inter-Continental Hotels and Resorts, regards the prospect of telephones on board the aeroplane with horror.

Airlines are busy competing to become the first to offer passengers this form of connection, but Mr Collier wants none of it. He regards his time on board as a respite from the phone – a chance for strategic planning and thinking in broad terms about the company.

He loves travelling, which is just as well, since he does so on average for three weeks out of every four. Inter-Continental is one of the largest international chains, with 150 hotels in 55 countries. Mr Collier's destinations are therefore varied; some of the more recent include Buenos Aires and Abidjan in Côte d'Ivoire.

Is this amount of travel really necessary? Yes, he says, because there is no real alternative to face-to-face meetings. He is confident that he will continue to travel as much.

"The company is expanding rapidly and the negotiations that take place can't be done on the telephone or by E-mail. These relationships last for many years and it is important to get them right at the start. This is particularly the case in the hospitality industry."

Mr Collier was appointed joint managing director just over a year ago after being president of Inter-Continental Hotels Group Services, which provided strategic direction and support services to the company's three operating divisions based in London, Miami and Hong Kong.

His career spans other hotel chains: 10 years with the Forte Group and 15 years with ITT Sheraton based in Brussels and Boston.

He normally travels business class but there are some circumstances when he will go to the extra expense of first class, such as when he has a meeting directly after a long flight. Some regional airlines in the US do not offer business class.

His favourite airline is British Airways. He was invited to become a member of BA's Premier Club in 1990 and since then has taken 171 flights on BA. He also travels regularly on other carriers, including American Airlines and Qantas.

Mr Collier's favourite type of aircraft is a 747 because "there is so much room to walk about". For a long-haul flight, he deals with jet lag by setting his watch to the time of his destination, and he then tries to work to that. He also believes that travelling overnight on sleeper seats is a good way to arrive in better shape.

Although he tends not to drink in the air, he does have the occasional scotch and soda. He is a firm believer in increased competition among airlines, the benefits of which can be detected in an improvement in the quality of food on board. He mentions in particular the healthy alternatives of low-fat, low-salt meals, which are increasingly on offer.

Another by-product of greater competition is the increase in value-added services to business travellers. These include accelerated check-in and exit for first and business class passengers at airports.

Scheherazade Daneshkhu

هكذا من الأصل

Daniel Green on Concorde's prospects as it nears its 20th birthday

Special offers fill seats

Take your place on Concorde in 1995, and you might well be sitting next to a middle manager from a German chemicals company rather than a pop star.

You should not be surprised. As Concorde approaches its 20th birthday, it appears to be emerging from flamboyant youth into serious middle age. As with human beings, the motive is money and the need for security in old age. The two owners of Concorde aircraft, British Airways and Air France, want to fly more than just the rich and famous. They see scope for growth into the corporate market.

The quickest way of adding passengers to any aircraft is to cut prices. Both airlines have done this through a series of special offers.

British Airways has been offering deals to non-UK business travellers. The company is reluctant to tell UK travellers about this but one Belgium-based traveller recently said that when he tried to buy a business class return from Brussels to New York, he was offered the trip on Concorde at no extra cost. Every one of the 100 seats on that flight was full, and the groups of dark suited men spoke German and French to each other as well as English.

Air France has special offers too, but has not gone as far in offering Concorde tickets to Europe's business travellers at business class prices.

This is partly because tickets on the French Concorde are already much cheaper than on the British.

At full price Air France charges FFr30,890 (less than £4,000) for a return flight to New York; British Airways asks £5,284. Few people pay full price on either airline, however. Recent promotions include £4,430 on BA and two seats for the price of one-and-a-half on Air France.

The difference is big enough for Air France to claim that using connections from other European cities into Paris, including London, are cheaper than BA's fares. Passengers on a tight schedule have the added incentive of arriving more than half an hour earlier on Air France than on BA, at 7.45 am New York time.

Tickets on the French Concorde are much cheaper than on the British – but few people pay full price

Such a hard sell on cost and timing show how conscious the airlines have become of the priorities of business executives on budgets and schedules, rather than seeing them as celebrities interested in glamour and romance.

There has also been a profound change at both airlines in the way they manage their Concordes in recent years. Again there is an effort to market the world's only supersonic aircraft more broadly as a business tool rather than a luxurious indulgence.

● Interior decor: seats are getting harder. Both Air France and BA have refurbished their aircraft in the last two years for the first time since the 1980s. Among BA's changes include some of the best seats flying today.

The idea, says BA, was to create "BMW" feel to the seats, making them firm rather than soggy. Travellers on a less-than-full BA Concorde will notice an improvement that must eventually spread to other business class services. The arm rest between the seats can collapse downwards rather than lift up to be wedged between the seat backs. This allows the seat backs to be as wide as possible (no space is needed for the arm rest) while giving the option of more room if the neighbouring seat is empty.

● Catering. BA's research shows that passengers no longer want the extravagances of the 1980s. Now they want simplicity and are more health conscious. That means more salads and vegetarian dishes.

Air France still has a more traditional approach, where meals are *cordon bleu* luxury.

● Frequent flyer points. BA's Concorde flight gives you more than any other single trip in terms of Air Miles, more even than flying first class on a conventional aircraft to Los Angeles or Australia.

A trip on the Air France Concorde will earn 250 aeropoints.

In a sense, such changes are inevitable. BA says that about 25 per cent of Concorde passengers use the aircraft for day trips. Around 70 per cent of all passengers are business executives or professionals, mainly men.

The figures are similar for Air France, where two-thirds of passengers are travelling on business and there are four times as many men as women. More Americans than French people travel on the typical Air France Concorde.

The trend towards business use has been apparent for many years. Today's Concordes fly only to New York (except for charter flights and the occasional special service to the Caribbean). It was not always so. Air France, in its search of passengers willing to pay extra for supersonic flight, has run services to such exotic locations as Dakar, Senegal and Rio de Janeiro in Brazil (the inaugural route in 1976), as well as to Caracas, Venezuela, Dallas, Texas, via Washington DC and Mexico City.

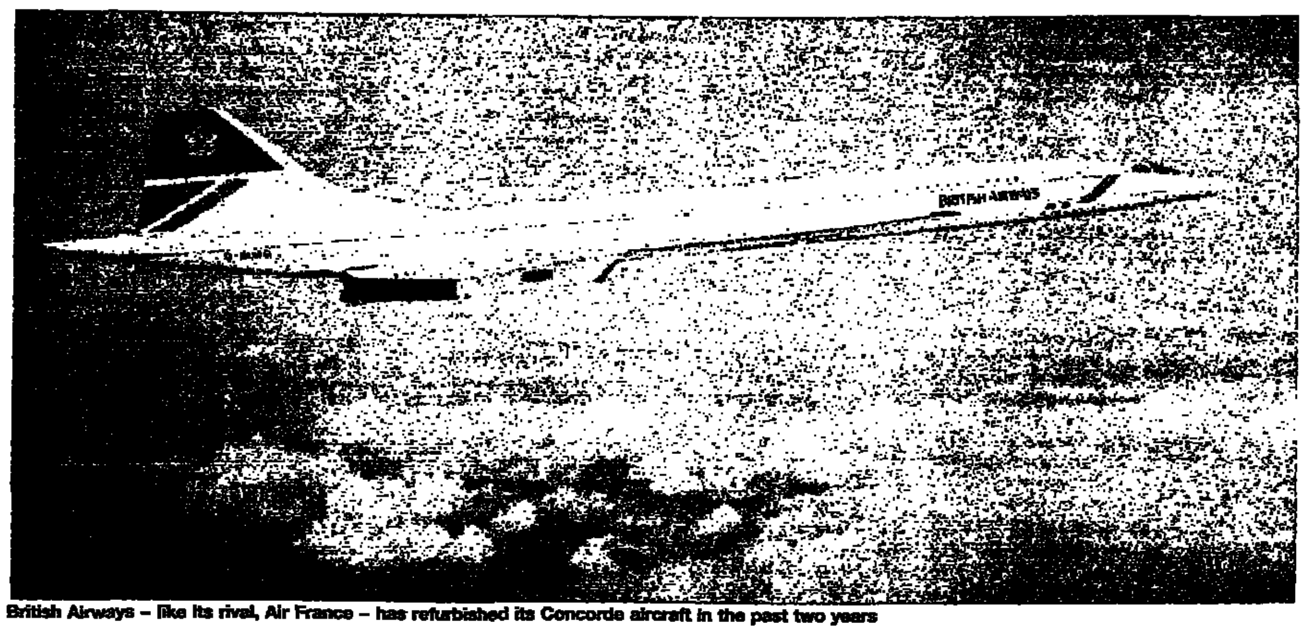
BA used to run services to Bahrain, while last year it dropped its London-Washington flights.

The concentration on New York has put a premium on connection services, and this is where BA scores over Air France. Air France flights may arrive in New York first, but BA wins on the connection to Washington, thanks to its US partner, USAir, which has a connecting aircraft parked next to the Concorde terminal in New York's JFK.

The combination will get passengers to Washington National Airport (much closer than the alternatives in the city) at 10.05. The earliest Air France connection arrives at 11.35.

As the aircraft ages, the cost of parts and maintenance will increase. Thus, to keep making profits, Concordes will have to fly fuller. That means tapping into new markets in the business sector and, in turn, a more precise targeting of services, ranging from on-the-ground dedicated lounges through to connecting flights at the other end.

Concorde may be getting older, but she will have to learn new tricks to keep flying.



British Airways – like its rival, Air France – has refurbished its Concorde aircraft in the past two years

■ FREQUENT FLYER SCHEMES

The picture gets complicated

Never mind the Rough Guide you might take on a trip. These days you need a guidebook to make sense of the labyrinthine frequent flyer programmes.

Some time ago airlines woke up to the fact that regular customers like to be appreciated, and the frequent flyer programme was born. This used to be a fairly straightforward reward scheme, where regular flyers were rewarded with points or "bonus miles" in a rough proportion to the number of miles travelled, with additional weighting for first or business class travel, which could then be redeemed for free flights.

Nowadays the picture is more complicated. It can be hard to get on the flight you want – airlines forecast demand on a given route and consequently the popular flights, which the airline hopes will be full of passengers paying the highest fare possible, are often all but barred to someone cashing in their points.

And then it dawned on regular travellers that they spent quite enough time in the air anyway and who wants to spend even more time sitting in an uncomfortable seat eating airline food? Enter the extended benefits: competitive rates on car hire and hotels, access to airline lounges and upgrades for those who still want to fly. This is good for airlines, too, as they do not particularly want to fly people who have not paid for their tickets.

As a result most now routinely offer deals with hotels and car hire companies. For example, Qantas, the Australian carrier, has special rates for its frequent flyers with Hertz, the car rental group, as well as free membership of Hertz's Club Gold programme, an express rental service. As an added incentive, members of the frequent flyer clubs can accrue points by using partner companies – Qantas awards 1,000 points for each car rental with Hertz outside Australia.

Hotel links include Virgin's partnerships with Radisson SAS hotels, where members can earn 1,000 points for each night in hotels in Scandinavia, central and eastern Europe, Beijing and Kuwait.

Never one to be just part of the herd, Virgin has come up with additional things that frequent flyers can turn in their points for. These are pretty tempting: a two-day parachuting course, a go-on-a-flight simulator and, for the dedicated Virgin passenger, 1m points will get you a week of total luxury on Necker Island, Richard Branson's private island resort. But although this sounds wonderful, remember that 1m points is the equivalent of 40 Upper Class return trips to Tokyo.

The picture was further muddied by the advent of code-sharing. Portrayed as a good deal for the passenger, this means that airlines can put their codes on flights by other carriers. Airlines use this to offer flights on routes they do not serve themselves. An example of this is Virgin's code-share with Ansett, the Australian carrier, where passengers buy a Virgin ticket through to Sydney but change from the Virgin aircraft in Hong Kong to an Ansett aircraft for the flight on to Sydney. Although luggage is checked through to the final destination, critics say code-sharing is misleading.

From the frequent flyer's point of view it should be good news: points earned on one carrier can be redeemed on partner airlines. There is a bewildering network of links between airlines: Virgin Freeway members can earn points with British Midland, Air New Zealand, SAS and Austrian Airlines; while Qantas frequent flyers can earn points with British Airways, American Airlines, Canadian, SAS and USAir. However there are restrictions – for example, Qantas' frequent flyer scheme bars members from earning points on transatlantic flights with American Airlines.

But for the frequent flyer who travels economy it might not be such a bonus to join a scheme – many prohibit passengers travelling on discounted tickets from picking up any miles at all, while others impose thresholds or offer only very small amounts of miles.

Members of frequent flyer clubs can accrue points by using car rental companies or staying at hotels. And among Virgin benefits is a luxury week on Richard Branson's private island

Then you need to take into account the benefits on the ground. Most frequent flyer programmes offer access to airline lounges – but you will automatically qualify for that anyway if you are flying first or business class. However, these benefits are worth having if you or your company has decided you can have only an economy ticket – which bars you from the lounges. Also worth having is the right to check in at the dedicated first or business class desks, while British Airways and Qantas, among others, also offer their members a dedicated reservations telephone number and priority on waitlists if flights are overbooked.

It is easy to become a member of a frequent-flyer scheme – most airlines will join you up straight away. But most also have different tiers of membership, with the best benefits going to loyal customers. Entry level for some carriers may not give you access to the lounges, while free upgrades may be restricted to higher levels. Gold- and silver-level BA frequent flyers can get health information and advice from the airlines' travel clinics, while Virgin's gold membership brings wait-list priority, exclusive offers from scheme partners, and invitations to events.

Frequent flyer scheme members also usually get an extra luggage allowance – particularly useful in economy where the 20kg limit means you may have to leave your guidebooks behind. But the one guidebook you should take with you is The Official Frequent Flyer Guidebook, a US publication which is updated annually and provides detailed listings of all the programmes and advice on how best to use points.

It is the brainchild of Randy Petersen, an American who has cashed in on his experience as a marketing executive for a menswear chain which meant he clocked up thousands of miles a year.

"Nearly everyone I knew would come to me for advice on their frequent flyer traveller programmes," says Mr Petersen, who founded the Frequent Flyer Club as a result. The guidebook is supplemented with a bimonthly magazine with all the latest tips for frequent flyers. You need never be lost in the labyrinth again.

Frequent Flyer Services, 24/8 The Coda Centre, 189 Munster Road, London SW6 6AW. 0171 385 6412.

Kate Bevan

■ AFRICA

A far-away look in his eyes

"Back to the future," said Tubby Fanshawe, as we sat sipping our gin and tonics in the cocktail bar atop Nairobi's Inter-Continental Hotel.

With a far-away look in his eyes, Tubby began to recite: "Morning at the Murchison, picnic at Pakwach, sandwiches in Sudan..."

"Steady on, old chap," I said. "Sudan? Haven't you heard there's a war on? No-one ever picnics at Pakwach, and Murchison Falls was knocked off the tourist map by Idi Amin."

"Could be done in the old days," said Tubby.

Fanshawe and I have been bumping into each other on the Africa trail for donkey's years, and I recognised the signs.

He was on his third G and T, a far-away look had come over his face, and I knew that the blighter was about to reminisce about old times.

We had both arrived earlier that day, I on a British Airways flight from London, enjoying the comfort of my Club Class seat. Tubby had flown in from Johannesburg, on South African Airways.

It was my fault. I had got Tubby going by saying something to the effect that air travel between Europe and Africa, and within the continent, had got a lot better recently.

As we totted up our Air Miles, I told Tubby that, with South Africa back in the international fold, competition on the Johannesburg route was increasing by the day.

Meanwhile, SAA was flying on more and more African routes, several other national airlines had been commercialised or privatised, Kenya Airways was pulling its socks up, and new operators were coming into the market.

"Air travel is getting better and better for us, Tubby, old chap, and not before time."

It was at that point that Tubby made his cryptic comment. So I ordered another ice-cold Tusker beer, lit a Davidoff Number 3, and settled down for what I suspected would be a long evening.

Tubby tapped the local paper.

"See that," he said. "Back to the future."

Tubby tends to repeat himself when he's had a few snifters.

I looked at the advertisement. SAA was singing the praises of South Africa's beaches and game parks, and urging passengers to join its frequent flyer scheme.

On the adjoining page, Alliance Airways, a joint venture involving SAA and the governments of Tanzania and Uganda, was announcing the start of its service between Entebbe, Dar es Salaam and Johannesburg.

"Quite," I said to Tubby. "That's my point. Travel around Africa is getting better."

Tubby took a deep sip from his glass, gave his bushy ginger moustache a quick wipe with the back of his hand, and adjusted his trousers to accommodate his paunch.

I knew then there was no stopping him.

"True enough," said Tubby, "but what I am trying to tell you is that it is not as good as it was. And when it gets as good as it was, it will be a darn sight better than now, if you get my drift. Back to the future."

"Explain," I said, grabbed a handful of salted cashew nuts, and ordered yet another Tusker.

"I happen to collect the *Year Book and Guide to East Africa*, an excellent publication, now sadly defunct, which has guided generations of travellers to this part of the world," said Tubby.

An accountant based in London, Fanshawe has been banging around Africa even longer than I have. Since the 1950s, in fact.

He reached out for the cashews.

"You greedy rotter! Scoffed the lot," he complained, and only when the bowl had been refilled did he continue.

"I just happen to have with me the edition for 1960."

With that, he reached into his briefcase.

"Take a dekko," he said. "You'll see what I mean when I say back to the future. Read the ad on page eight."

For a moment I thought he was going to tell me about the flying boats of the 1930s, but not even Tubby goes back that far

I read the text aloud.

"East African Airways – Linking East Africa with the World... Fourteen different airlines provide services to and from Nairobi."

"You can fly between East Africa, London and Rome either first or tourist class on the speedy Britannia 312 of East African Airways..." I continued.

Tubby interrupted. "Economy class leg room on the dear old Britannia was about the same as Business Class today."

For a moment I thought he was going to tell me about the flying boats of the 1930s, but not even Tubby goes back that far.

I read on.

"Nairobi is linked with Bombay, Karachi and Aden by the twice-weekly tourist Canadair services of East African Airways. Scheduled services to every part of the Central African Federation, as well as to Mocambique, Beira and Lourenco Marques in Portuguese East Africa, and to Johannesburg and Durban in the Union of South Africa..."

I stopped in mid-sentence.

"Hang on a mo," I said. "Aden, Mocambique, Beira, Durban... there are no direct flights from Nairobi these days."

"Quite," said Tubby. "Read on."

I remembered something else.

"Didn't East Africa Airways have to stop operating when that economic community of Kenya, Uganda and Tanzania fell apart in the mid-1970s?"

"Quite," said Tubby once more. "Now read on."

"Short-haul routes stretching from Entebbe through Jinja, Kisumu, Nairobi, Mombasa, Tanga and Zanzibar, as well as operating to the more remote parts of the territories, in and out of undulating airfields."

I broke off for a swig of Tusker.

"Good Lord!" I exclaimed. "You can't fly to Tanga or Zanzibar on scheduled services these days."

"There's more to come," said Tubby.

"Here, let me".

Travellers in 1960 could see more of east Africa

He took the book and turned a few pages. "Here's one of the best bits."

He started to read:

"Package tours to Serengeti: UK£7.50, two day excursions from Entebbe to Murchison Falls...".

The penny was well and truly dropping. I had no idea there had ever been flights to Murchison Falls, a lovely spot in Uganda.

"It gets better. Listen to this", said Tubby. "Holiday on the Nile... at Butiaba the S.S. Robert Coryndon, a modern inland marine vessel, is boarded for the journey across Lake Albert to Pakwach, where a river steamer takes the visitor down the Nile to Nimule, through scenery of unqualified grandeur, where game is plentiful.

"The inclusive cost of this delightful holiday to the Sudan border is UKP£29."

"The Sudan border," repeated Tubby, his voice rising almost to a squeak, such was his amazement.

"Can you imagine it? Once upon a time, the Sudan border was a holiday destination?"

By now, Tubby had proved his point.

Thirty-five years ago, you could fly to more places from Nairobi than you can today.

What is more, you could enjoy good hotels and local transport in towns that all too often are now decrepit.

And there were fewer tourists – a few thousand a year to Kenya, compared with nearly three-quarters of a million of the blighters today.

Notwithstanding satellite televisions, direct dialling, and faster aeroplanes, travellers in 1960 could see more of east Africa in greater comfort, and greater safety, than in 1995.

And this applies as much to west and central Africa, as to east Africa, I later discovered, when I dug up old guide books of the period.

Neither of us discussed the reasons for the collapse of much of Africa's transport network, whether through mismanagement or war.

Tubby and I steer clear of politics.

But I did the decent thing.

"You've earned your nightcap," I told Tubby as I called for the bill: "The drinks are on me."

Or to be more accurate, on the FT.

Michael Holman

■ CHINA

Be prepared for anything

Business travel to China for the unwary and ill-prepared risks turning into a nightmare unless careful preparations are made and assistance is secured on the ground.

In spite of the advances in telephone communications, improved aircraft scheduling and the wider availability of reasonable standard hotels, China remains a problematical environment for the business traveller.

Ms Shelley Warner, a Beijing-based business consultant, says businessmen should be prepared for almost anything on their travels around China. The unpredictable becomes the norm, especially outside the main cities.

Among difficulties are confirming aeroplane bookings (bookings are heavy on the main routes) and frequent delays. Bad weather in one region can affect the whole domestic network.

Her advice to businessmen is to allow plenty of flexibility in their schedules, and not to leave ticket confirmations to the last minute.

In one important respect, travel inside China appears to have shown an improvement in the past year or so – air safety. Beijing has tightened up safety procedures and more attention is being paid to maintenance.

The Federal Aviation Authority of the US, which has a representative in Beijing, has concluded that China's skies are safer; but private consultants still advise travellers to shun where possible smaller regional operators and stick with the larger carriers – Air China, China Eastern and China Southern.

Travel off the beaten track in China – this is becoming increasingly necessary for businessmen seeking opportunities beyond the main cities and coastal areas – is arduous, to say the least.

Occupancy rates at most business-class hotels are around 60 per cent even in the low season

Hotels in backward provinces tend to be primitive and telecommunications unreliable.

Smaller hotels sometimes lack such rudimentary services as a fax machine; although IDD lines are now available in most places.

Business travellers are advised to arm themselves with double adaptors and an international plug. Working facilities in hotel rooms are often inadequate. Lighting is bad and there may not be a desk in the room.

But in spite of all the difficulties, businessmen are continuing to visit China in droves. Detailed information of numbers visiting China is difficult to come by, but in 1994 China received some 43.6m visitors, up 5.2 per cent on 1993.

The bulk of these visitors were overseas Chinese from Hong Kong and Macao travelling mainly to the southern provinces of Guangdong and Fujian, but the numbers of businessmen of various nationalities visiting China have increased sharply since 1992 – the year China re-invigorated its economic reforms.

Ministry of Public Security figures for 1993 show that business arrivals that year reached 1.2m. The busiest months were March-June and August-October. No figures are yet available for 1994.

Hoteliers in Beijing specialising in business travel report that arrivals in the first quarter of 1995 were comparable with those of last year.

Mr Halldor Briem, manager of the Beijing Hilton, says that business has been "extremely good", and that bookings are strong for the rest of the year.

Occupancy rates at most business-class hotels are around 60 per cent even in the low season, rising to more than 90 per cent at busy times of the year. Hotel capacity in Beijing is more or less meeting demand at present, but permanent accommodation both for offices and housing is at a premium.

Beijing rents match those in Hong Kong and other expensive locations. In Shanghai, rents are also high. Pressures are unlikely to ease for the next year or so, pending completion of new apartments and office buildings.

Foreign airlines in Beijing also report that business continues to be good. Mr Charles Phelps-Penry, the British Airways representative, says: "Things are holding up quite well." He has seen no sign of a downturn in business arrivals, although growth in new foreign investment is beginning to slow.

For the time being, it seems, business travel to China continues to be a growth sector, and there is no sign as yet of a fall-off.

But experience has also shown that foreign business involvement in China moves in cycles, and is subject to peaks and troughs, depending on changes in the political and economic climate.

Tony Walker

■ INDIA

Passengers get a choice

A fellow passenger on an early-morning Indian Airlines flight from Bombay to New Delhi was pleasantly surprised to find the hostess offering him a bowl of cereal with hot or cold milk. "I remember getting greasy samosas (savouries) at seven in the morning on a flight three years ago," said the German businessman, smiling. "I wonder what prompted them to provide a continental breakfast!"

It was easy to enlighten him. Competition has made India's domestic carrier switch over to fresh fruit, yoghurt, croissants and coffee. Indian Airlines' air-hostesses, once known for their brusque manners, have obviously taken crash courses in smiling.

After nearly 40 years of being at the mercy of only one national airline, the domestic passenger in India can choose from at least eight private airlines on most sectors. Jet Airways, Damania, ModiLuft and East West Airlines, the biggest of the private operators, have become popular with Indian business and leisure travellers. Passengers have been attracted to the new airlines because of their punctuality and their service. Delays are not nearly as frequent or as long as they used to be, and overbooked flights, especially to the big cities, are a thing of the past.

It is hard to rate the private airlines. Jet Airways, Damania and ModiLuft, all of which began operations in 1993, offer about the same comforts and are equally good. They have leased aircraft from international airlines and use their technical support. This explains the imitation blue and yellow colours of ModiLuft, for example, which has a technical arrangement with Lufthansa.

The private airlines have made travel within India a comparatively smooth experience. Long waiting lists, especially in the inter-city sectors and popular holiday destinations such as Goa and Jaipur, are a thing of the past. Ground staff and cabin crew are courteous and helpful (though sometimes inexperienced compared with their Indian Airlines counterparts).

Security regulations do not permit passengers to carry batteries in their hand-baggage

They are quick to apologise and explain when there is a delay (you still cannot take that for granted on Indian Airlines), and all have good aircraft, mostly Boeing 737-300s and 200s. The inflight service is adequate, and almost identical on all the airlines.

Travel agents say business class travellers often prefer Jet Airways and ModiLuft. Since the number of seats in business class are limited, and the price difference between business and economy no more than 10 to 12 per cent, it is advisable to book executive class seats in advance.

On many sectors, Indian Airlines offers the most competitive prices, and has waived its cancellation and postponement charges. International passport holders are required by the government to pay a dollar fare for their tickets, which is about 10 to 20 per cent higher than the domestic fare. But international travellers do not pay postponement or cancellation charges, which is an advantage.

All domestic flights are non-smoking. The private airlines used to serve liquor to lure custom in the early months of their operation, until the government, unable to reciprocate on Indian Airlines because of socialist compulsions, prohibited alcohol on flights.

Security regulations do not permit passengers to carry batteries in their hand-baggage. Police may ask you to remove all batteries from cameras, Walkmans and radios. Pocket knives are not allowed on board either, except in checked-in baggage. In an emergency, you may be asked to collect the articles from the crew after the flight. A small price to pay for safety, considering Indian aeroplanes have been hijacked in the past with hair-dryers and toy guns.

On long-haul routes, especially between the big cities, it is still worthwhile getting a seat on Indian Airlines. The airline has come a long way since it initiated a gigantic restructuring exercise last year to stop sales from plummeting. When it comes to airports in Bombay and Delhi (the country's busiest sector), and to wide-bodied aircraft (the Airbus A-300 and A-320), Indian Airlines has a distinct edge over the private operators.

The national carrier has new, spacious terminals at the domestic airports in Bombay and New Delhi. All other airlines have been herded together in the old terminals, making them resemble crowded train stations when flights are bunched together. There are business centres at all the major airports, but don't be surprised if you can't reach a fax or even an international phone at many of India's smaller airports.

Shiraz Sidhva

Paul Taylor examines developments in airborne entertainment systems

Airlines race to equip their fleets

The passenger seat is the focus for a new digital revolution which is bringing sophisticated interactive multimedia entertainment systems, information services and telecommunications links to travellers on the world's leading airlines.

The world's airlines are racing to equip their long distance fleets with individual seat-back screens and the interactive systems developed by a handful of equipment vendors. Meanwhile older-style in-flight passenger telephone systems, pioneered by GTE Airfone in the US in the 1980s, are now being updated to new digital systems and integrated with interactive entertainment systems.

Among the airlines Virgin Atlantic already has an interactive entertainment systems in operation while American Airlines, British Airways, Singapore Airlines and United Airlines are among the carriers which have announced plans to phase in systems on long-haul routes this year.

From the passengers' point of view these new systems promise to deliver – usually for an additional fee – an unparalleled choice of amusements ranging from video-on-demand films and CD quality music to computer games and gambling.

In addition, most will also provide passengers with the ability to book car hire or hotel rooms and order merchandise from their aircraft seats and view financial data and other real-time information services.

Those travelling with portable computers will also be able to send or receive electronic mail, log onto the Internet and send or receive or facsimile messages using satellite or ground-based telecommunications networks – in addition to making ordinary voice telephone calls.

For the airlines these systems, first and foremost, provide an important new means to differentiate their services in an increasingly competitive market. But in the longer term they could also provide an important new revenue stream – most US carriers are already making money from their airborne telephony services.

"Revenues have surpassed our expectations by 100 per cent, the numbers are staggering," says Ms Kathy Libonati, managing director for product design at American Airlines, which is rolling out a digital telephone service provided by Claircom Communications, part of AT&T's McCaw Cellular Communications subsidiary.

Some analysts estimate that interactive entertainment systems could earn the airlines $1m or more per aircraft each year and that if plans for in-flight gambling are approved, this figure could double.

But installation costs are also high – about $1.5m to $2m to install a system in a new aircraft – and there are other costs. All the extra equipment makes an aircraft heavier, adding as much as two tonnes to an aircraft payload and pushing up fuel bills – although most airlines are seeking to offset the extra weight of IES systems by weight savings elsewhere.

Nevertheless, there is little doubt that interactive entertainment systems are popular with long haul air travellers, who have had to put up with a restricted diet of films shown in rotation, often poor quality music channels and in-flight magazines until now.

Virgin Atlantic was the first airline to install interactive entertainment in all classes with the introduction of Virgin Arcadi a year ago. All new aircraft in the Virgin fleet are already equipped with the system, supplied by Hughes Avicom of California, which offers 16 video channels and 16 CD music channels.

Further interactive channels to be introduced in a second phase include paid video gambling using a credit card swipe at the base of the video screen to access video roulette, poker and fruit machines. In addition, the airline plans an electronic mail order catalogue, featuring over 1,000 items, which can be delivered within 48 hours anywhere in the world and duty free shopping using the video screen display and credit card swipe for payment.

Virgin also recently announced an initial £3m investment programme in BT's Airline Information, Communication and Entertainment software package and Skyphone, the onboard telephony system developed by BT's Aeronautical Services Division in conjunction with Singapore Telecom and Norwegian Telecom. Virgin will be the first transatlantic carrier to offer these services.

Meanwhile, American Airlines announced last month that it was going ahead with a six-month trial of a personal interactive seatback video system manufactured by Japan's Matsushita Avionics Systems in its first class, business and main cabins. Like Virgin, the US airline has also announced plans to install high quality digital telephones – which will be integrated with the interactive entertainment system – in every seat in first and business class and every group of seats in the main cabin.

Although American cannot claim to be first with its system, Ms Libonati emphasises that the airline decided to wait until the digital technology provided a stable and reliable platform. "This is a case where being first is less important that being right," she says.

In contrast, some early users of interactive entertainment systems, such as Northwest Airlines, have experienced reliability and other problems. Ms Libonati says that American is keen to avoid the mistakes of some of its competitors which used equipment that is "obsolete before it is installed".

The six-month trial will provide the airline with an opportunity to assess "what services customers are really willing to pay for," she explains.

British Airways has also taken a cautious approach to the adoption of these new systems. Nevertheless, BA is planning to spend £80m on what it describes as "the world's most advanced in-flight entertainment and information system".

Each seat will have its own interactive video screen, control panel, telephone and charge card swipe, linked by satellite to mainframe databases on the ground, using state-of-the-art Satcom technology developed by Racal/Honeywell in partnership with BT.

The BA system is being supplied by BE Aerospace of Florida and will be fitted for tests on a Boeing 747 in August. Subject to final approval the plan is to start installing the system in every seat across the airline's entire fleet of 85 long-haul aircraft later this year – a job which will involve fitting 30,000 individual screens and control panels.

The order is the first for a "second generation in-flight entertainment system" by any of the world's airlines, and potentially the biggest. Mr Bob Ayling, British Airways group managing director, says: "BA passengers will have the best entertainment and information system in the air."

Among its features, passengers will be able to:

■ choose from up to 24 movie and entertainment channels, starting, stopping and pausing them when they like just as though they were using their own video-recorder at home;

■ play a wide selection of games including the latest Nintendo teenage crazes and trivia quizzes or more traditional games such as chess, bridge and backgammon – challenging the computer or other passengers;

■ try to win back the cost of their fare by gambling on the outcome of Australian-style recorded horse races or other gambling opportunities;

■ chart their own route map and view aerial shots of the world from their own "window" seat – linked through their personal video to external cameras on the aircraft;

■ browse through an in-flight shopping channel, ordering goods for delivery to their homes or holiday resort;

■ listen to their favourite music from a choice of thousands carried on board with a system that works like a massive flying juke box;

■ book an hotel room or hire a car and complete all the paperwork in-flight – enabling them to just pick up the keys on landing;

■ check the status of flight connections or maps of the airport terminal they are flying into;

■ receive and make phone calls anywhere in the world from every seat.

The films and games will be stored digitally on a computer housed in the aircraft's avionics bay. There are no tapes, discs or cassettes involved. Once a passenger orders a specific programme, it is fed to a mini-PC serving his seat. He then has total control over the programme and can stop and start it as required.

BA expects the pay-per-view, gaming, shopping and telecommunications facilities to earn sufficient revenues to enable the airline to cover the cost "in a matter of years". Unveiling BA's plans, Mr Ayling said: "We could have ordered off-the-shelf first generation systems to fit to our established fleets, but we decided to wait until the second generation systems were available because of all of the advantages they offer in terms of facilities and weight savings."

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Poor welcome to Big Apple

Richard Tomkins on New York City's JFK International Airport

Few business travellers would deny that New York City's John F. Kennedy International is one of the worst of the world's larger airports.

Built for the age of propeller aircraft and little improved since, the airport creaks under the strain of demands now being made on it. Most of its terminal buildings are drab, cold and spartan, lacking the amenities that modern travellers have come to expect.

Even basic facilities such as shops and restaurants are few and tend to close during off-peak hours.

Access to the airport is notoriously poor. The airport lies in the Idlewild section of Queens, many miles from Manhattan. To reach it by taxi takes about an hour and costs $50 (including tip), even in light traffic. The time and cost rise proportionally at busy times or in bad weather.

In theory, it is possible to reach the airport by public transport using a combination of subway and shuttle bus. But this may take two hours and involves riding the A train through the less desirable parts of New York City. The only point in its favour is the cost – a $1.25 subway token.

John F. Kennedy International, therefore, does little either to make the business traveller's lot any easier or to enhance the image of New York. But is anything likely to change this state of affairs?

Responsibility for doing something rests partly with the Port Authority of New York and New Jersey, the state-owned agency that runs the airport, and partly with the airlines that operate the terminal buildings.

One reason why the terminals are run down is that the airport used to be dominated by Pan American World Airways, Eastern Air Lines and Trans World Airways, all of which ran into severe financial difficulties in the 1980s. Pan Am and Eastern later went out of business and TWA has failed to return to profits.

Meanwhile, the port authority has found itself with little money to spare. Although it earns income from airport operations, the World Trade Center and tolls on the bridges and tunnels, it also subsidises an array of loss-making operations in the New York and New Jersey areas.

In spite of the financial pressures, the port authority initiated a $4.3bn redevelopment programme at the end of the 1980s. Plans included a new road system within the airport, expansion and modernisation of the passenger terminals, a monorail system linking the terminals, and a rapid transit system linking JFK with Manhattan.

Some progress has been made. The $400m roadway network in the central terminal area is about half finished, easing access to terminals. And last October the port authority announced an $800m plan to rebuild the largest terminal building at the airport: the International Arrivals Building, a decrepit edifice which serves the 40 or so international airlines that do not have their own buildings.

The airlines have been active, too. British Airways has completed a $120m renovation making its building the most attractive in the airport.

Four foreign airlines – Air France, Japan Air Lines, Korean Air Lines and Lufthansa – are shortly to start work on the first terminal to be built at JFK in over 20 years, erecting a $435m building on the site of the old Eastern terminal.

Nevertheless, progress is painfully slow, and nowhere more so than on the difficult and costly question of access from Manhattan. The port authority wants to provide a $2.5bn monorail system linking JFK with La Guardia Airport and Manhattan, but the funds are simply not available.

Perhaps the best hope of significant change is one of ownership. Mr Rudolph Giuliani, New York City's Republican mayor, has been speaking enthusiastically about getting the airport out of the public sector and into private management.

With Republican governors now running the states of New York and New Jersey too, it may only be a question of time before the idea rises up the political agenda.

Beautiful, but too far out

Laurie Morse on the recently-opened Denver International Airport

Arriving at the new Denver International Airport is like flying onto an island in the prairie it is beautiful but remote. A harried business traveller must endure at least another 40 minutes of ground travel before reaching Denver.

Visitors to Colorado's ski resorts must add 20 minutes to the drive, since the new airport, located 23 miles north-east of downtown Denver, is 15 miles farther from the Continental Divide than Denver's old airport, Stapleton.

Opened on February 28, some 16 months late and nearly $2bn over budget, Denver International (DIA) is the first big airport to be built in the US for 20 years. Distinguished by the 34 white peaks of its tensile fabric roof, the architecture of the main terminal is described in brochures as "reminiscent of the Rocky Mountains".

Intended as an improvement to the 65-year-old Stapleton, which has now been retired, DIA has three runways that can operate during foul weather. That is more than any other airport in the US, and should eliminate flight delays that were common at Stapleton during Denver's severe winters.

A state-of-the-art baggage delivery system that chewed up luggage during testing added at least $100m to the budget overruns, and was responsible for a long delay in the airport's opening. Municipal bond holders and airlines which paid DIA's $4.9bn construction costs are angry.

However, travellers will find that the baggage system works properly now, and a number of airport employees are on hand in the luggage area to assist with inquiries. Given Denver's popularity as a holiday destination, the airport has sensibly installed separate baggage belts for large items such as skis and golf bags.

DIA's arrival and departure gates are located on three concourses connected by underground tram to the main terminal. Passengers should allow for a five-minute ride from the gate to the main terminal to claim their baggage.

Each concourse and the main terminal are well-served by fast-food establishments, bars, speciality shops and coffee and ice-cream stalls. However, the airport does not have its own business centre. Business services are available to members of United's Red Carpet Club in Concourse B. American Airlines and Delta Airlines also offer services at their clubs in Concourse C.

The airport has been built amid criticism that its backers have been over-optimistic about Denver's potential as an air-travel centre. Initially, it was planned as a hub for two big airlines, United and Continental, but the latter has since reduced its operations.

Citing higher landing fees at DIA compared with Stapleton Airport, United has imposed a $20 surcharge on flights to and from Denver, a fee that DIA officials fear will deter price-conscious holidaymakers. DIA's "international" pretensions may also be over-extended. A single flight leaves Denver for London's Gatwick each week, but Continental will discontinue it this spring. Mr Steve Klodt, airport spokesman, says Denver is "working with the US government and Great Britain to re-establish a London gateway." However, those negotiations are expected to take time.

Aside from regular flights to and from Mexico and Canada, a twice-weekly flight between Denver and Amsterdam is the only other direct international service from DIA.

Still, Denver's city fathers were thinking big when they planned this airport. One brochure says: "Unlike most major airports, DIA was built with room to expand. At full build-out it could one day be the world's busiest airport."

This foresight is a small curse for today's visitor. The airport's remoteness has nearly doubled the price of a cab ride to $35. Car rental facilities are located away from the main terminal, necessitating a wait for a shuttle bus and then a 10-minute ride. There are no hotels, restaurants or services adjacent to DIA.

While the surrounding area will eventually see development, it is now farmland. Even the closest petrol station is a 15-minute drive away.

US airlines stand to profit by curbing commissions

Agents and customers hit

Quietly, air travel is undergoing a revolution in the US. For the airlines, it is all to the good: they stand to profit from it. But it comes as a blow to business travellers and the companies that employ them, for they face a significant increase in costs as a result.

The revolution began in February when Delta Air Lines, the third biggest US carrier, said it was putting a ceiling on the commissions paid to travel agents each time they sold a Delta ticket. The airline would go on paying travel agents the usual 10 per cent, it said, but only up to a maximum of $25 for any one-way domestic ticket costing more than $250 or $50 for any round-trip ticket costing more than $500.

At first, travel agents shrugged their shoulders and said they would direct their business to other airlines instead. But in the next few days, every other large US carrier followed Delta's example by announcing identical commission caps – leaving the travel agents reeling as the implications began to sink in.

Why the concern? According to the American Society of Travel Agents, the average cost of issuing an airline ticket – counting wages, telephone charges and so on – is $26. This means that agents start to make money only on transactions when their commission rises above that level. So by capping commissions at $25 for one-way tickets and $50 for round trips, the airlines left agents with all of their loss-making business while eliminating most of their profits.

The result for the airlines will be a saving of between $500m and $750m a year in commission payments. But for the travel agents, the move means that they will suffer the loss of $500m to $750m worth of their most profitable business, with potentially devastating consequences.

Some simple statistics make the point. At present, domestic air travel commissions are the main source of income for the 33,000 travel agencies in the US, providing them with annual revenues of $6.27bn. That works out at $190,000 apiece. But as the American Society of Travel Agents points out, the agencies employ an average of seven or eight people each. "So you don't have to be a rocket scientist to work out that their margin of profitability is very, very thin," the society says.

The airlines say they have no desire to see travel agents going out of business. They are merely suggesting that someone other than the airlines should start paying for their services: in other words, the traveller.

As a result, the agents are now resigned to the revolutionary step of charging business and leisure customers for services that have previously been offered free. Some are beginning to impose a fee of $10 or $15 for every domestic airline ticket they write. Others are charging for delivering tickets to customers' offices or homes, for reissuing tickets when travel plans change, or for replacing lost tickets.

This applies to the big travel agencies as well as the small ones. American Express, for example, is now charging leisure travellers $20 to write domestic airline tickets costing less than $300, $10 for reissuing domestic tickets, $10 for overnight delivery of tickets, $10 for hotel or car rental bookings, and a $75 deposit for complex itinerary planning. (The deposit is forfeited if no booking is made.)

In fact, many large companies using the big agency networks were already paying for travel agency services before the airlines capped commissions. Travel agents such as American Express and Carlson Wagonlit Travel have been moving towards a system under which they make their money by charging the business customer agreed fees for their services, just like lawyers or accountants. Separately, all commissions received by the travel agent are passed back to the customer.

The trouble is that companies are now getting back much less money from commissions than they used to, with the result that they are experiencing a net increase in their travel costs. As Mr Travis Tanner, chief executive of Carlson Wagonlit Travel, puts it: "The fact is that the commission caps truly were just a price increase to the consumer, and we passed it along because we didn't gain any efficiency by the change."

One consolation for the travel agents' customers is that air travel costs have been declining in the US because of cut-throat competition in the domestic market. According to American Express, typical business fares were 9 per cent lower last year than they were the year before.

Even so, the big travel agency networks are under pressure to help their clients by getting their costs down and passing on some of the savings in the form of lower management fees.

Mr Michael Buckman, executive vice president and general manager of American Express Travel Management Services, says his company has been talking to clients about an array of potential cost savings: for example, asking them whether E-mail might sometimes serve instead of the telephone, whether they need quite so many reports, whether they really need tickets delivered overnight, and whether more use can be made of ticketless travel.

Carlson Wagonlit's Mr Tanner says his company, too, has been searching for ways to offset the losses resulting from commission caps. "I think we have been very successful in doing that, so the net result is that most of our customers have ended up facing less than the full commission cap impact," he says.

Since most of the commission caps came into effect only at the beginning of April, it is too soon to tell precisely what the consequences will be. The American Society of Travel Agents believes one effect could be to plunge up to 20 per cent of US travel agencies into the red, so threatening their survival. Companies will clearly have to reassess their business travel needs, perhaps cutting back to compensate for the increase in net costs. And it may only be a question of time before the revolution spreads to other countries.

Richard Tomkins

BUSINESS AIR TRAVEL 6

Four airports – Heathrow, Frankfurt, Schiphol and Charles de Gaulle (opposite) – are fighting for the title of Europe's top airport

Battle-lines drawn on fifth terminal

Next month sees the start of one of the biggest public inquiries ever to take place in the south-east of England.

London's Heathrow Airport says the outcome will determine whether it keeps its place at the top of the European aviation league. Its opponents say the result will affect the peace, quiet and health of neighbouring residents for generations. They have mobilised 4,000 people to speak at the inquiry.

At issue is whether Heathrow should be allowed to build a fifth terminal. It will be a mammoth project, costing £900m. The proposed terminal would handle 30m passengers a year. Heathrow's existing four terminals together handled 51m passengers last year.

To opponents, such as the Heathrow Association for the Control of Aircraft Noise, this is not a new terminal: it is a new airport. Heathrow, the association says, cannot expand without severely damaging the lives of all those who live around it.

For BAA, the privatised group which owns Heathrow, the stakes are high. Continental European competitors, such as Frankfurt, Amsterdam's Schiphol and Charles de Gaulle, near Paris, have ambitious expansion plans.

Heathrow is Europe's airport hub. About 30 per cent of its customers use the airport to change aircraft. It boasts an unrivalled selection of destinations and airlines to serve them. But it is full. Last summer, many airlines were refused take-off and landing slots because there was no room for them.

London has other airports, from Gatwick to London City Airport. No airport, however, has the attraction of Heathrow. Staff who work at other London airports say it is often difficult to persuade travellers, particularly foreign business travellers, to use any airport except Heathrow.

Heathrow, BAA argues, helps to underpin London's status as Europe's financial capital. Deprive Heathrow of what it needs to succeed, it says, and many other sectors in London could suffer. Heathrow is also the operations centre of British Airways, once a joke among international travellers, but now one of the world's most profitable and powerful airlines.

BA is a strong supporter of the fifth terminal. So are trade unionists such as Mr Roger Butler, a member of the executive council of the AEEU engineering union. Mr Butler said earlier this year: "A fifth terminal will create thousands of jobs, both in the civil air transport and in the construction industry."

The opponents of the terminal are not confined to environmentalists and local pressure groups. A group of 11 local authorities have said they will tell the inquiry that the new terminal would not serve the interests of London or of the UK.

Mr Jim Bailey, planning officer of Surrey, one of the authorities in the group, says: "Because something makes good commercial sense for BAA, it doesn't follow that it is in the best interests of the UK as a whole or local communities in particular.

"The sheer scale of Terminal Five – three times bigger than the present Terminal Four – would overwhelm the surrounding area, which is already one of the most developed and congested in the country.

"Let's not fall for BAA's sales pitch. Heathrow will continue to grow whether Terminal Five is built or not, with more passengers, more flights and more traffic. It is seriously misleading of both BAA and British Airways to suggest that without Terminal Five Heathrow will wither and jobs will be lost. The truth is that jobs are likely to increase even without Terminal Five."

BAA responds by saying that expansion is limited because Heathrow is so congested. In which case, the objectors say, where does Heathrow plan to put 30m additional passengers?

One answer might have been to build a third runway at Heathrow. BAA has not asked for one, however. Instead, it specifically asked the government to rule out a new runway. A third runway would have required the demolition of 3,300 homes, something BAA knew would be unacceptable. Earlier this year, Mr Brian Mawhinney, the transport secretary, obliged: there would, he said, be no third runway at Heathrow.

BAA says it can accommodate the new passengers by using its existing two runways more intensively. Better pilot training, new taxi-ways and an increase in the numbers of passengers per aircraft would allow Heathrow to accommodate the growth in traffic.

Some residents living around Heathrow fear that what the airport plans to do is end its current practice where one runway is used for landing only, in the morning and early afternoons, and the other for take-offs. At 3pm, this changes around. As aircraft usually take off from Heathrow in a westerly direction and land from the east, residents under each flight path have a quiet period each day.

A recent study, in which BAA participated, suggested that both runways could be used for both take-offs and landings, as happens at airports elsewhere. BAA says, however, that it does not believe this will be necessary.

It claims that the protesters are unrepresentative and that a majority of local residents supports the new terminal. An opinion poll published late last year found that 82 per cent said it was important for Heathrow to remain Europe's leading international airport. Over 90 per cent said they thought Heathrow was important to London's prosperity and 90 per cent thought it was important to the UK as a whole.

Asked whether they supported a fifth terminal, however, local residents were less sure. Only 36 per cent said they thought the terminal should definitely be built. On the other hand, only 28 per cent were prepared to give an unequivocal "no" to the question of whether it should be built.

BAA was able to raise the number in favour by reassuring residents that the terminal would not be accompanied by other large-scale developments. When told there would be no third runway and that the M25 motorway would not be widened, 51 per cent said they were in favour. With improvements in public transport to the airport, 65 per cent were in favour.

Mr Mawhinney has warned the airports, however, not to underestimate public concern about noise and pollution. Earlier this year he told aviation executives: "If my sense of the nation is right, all of us are going to have to pay more attention to the environmental consequences of industry for some years to come."

Michael Skapinker

The Germans plan ahead

Frankfurt Airport is the busiest in Europe after London's Heathrow and has just spent DM2.5bn on an architecturally impressive but controversial new terminal complex to meet the soaring traffic demands expected in the next century.

With international air traffic continually exceeding growth expectations – this year, the strong D-Mark is propelling even more Germans abroad – the airport has had to make ambitious plans. In 1989, Frankfurt handled as many aircraft as had been expected for 2000, based on forecasts made in 1985. In 2010, it expects to receive some 53m passengers, a rise of 75 per cent over 20 years.

Yet though its eyes are fixed firmly on the future, the city claims a 200-year tradition of airborne endeavour. The country's first balloon ascent took in October 1785, from Frankfurt. In 1912, the Victoria Luise airship started a regular service between the city and the spa of Baden-Baden.

The first Frankfurt airport opened in 1924, moving to its present site near a busy motorway junction in 1936. The airships Graf Zeppelin and Hindenburg made regular transatlantic trips in the years before aircraft became the most popular and safest form of international travel.

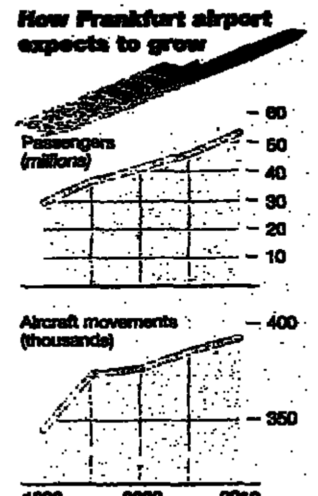
Situated in the centre of Germany, with much of the rest of western and eastern Europe easily accessible, Frankfurt has seen a rapid growth in air traffic volume. It is used by more than 100 scheduled airlines – the main ones are Lufthansa, Delta and British Airways – and about 80 charter carriers in the summer season. About 3,000 scheduled passenger services are operated per week. More than 50,000 people work at the airport, 12,000 for the Frankfurt Airport company which is owned by the state of Hesse, the city of Frankfurt and the German federal government.

Frankfurt far outranks other German airports in size and importance. Its nearest rivals are Munich, Düsseldorf and the combined capacity of the three Berlin airports (of which Tegel is the largest). Once the political go-ahead has been given for a new Berlin airport, though that is still some way off, the competition from the German capital is likely to intensify.

By then, Frankfurt will have spent even more money on expansion, speeding up services and improving efficiency. It plans new facilities to double cargo traffic from last year's 1.3m tonnes and a renovation and expansion of terminal one. Including the new terminal, its spending programme for the 1990s totals more than DM7bn.

Air traffic has grown steadily at Frankfurt. In 1994, passenger numbers (comprising arrivals, departures and transit) rose by 8 per cent to 35m. This compares with more than 51m at London Heathrow, its main continental European rivals being Paris – Charles de Gaulle and Orly combined handled more passengers than Frankfurt – and Amsterdam, followed at some distance by Zurich and Copenhagen.

How Frankfurt airport expects to grow



Source: Frankfurt airport

Frankfurt made a strong start to 1995. Passenger numbers rose by 8 per cent to just under 5m in the first two months, with freight traffic 12 per cent higher at nearly 201,000 tonnes. The passenger trend is expected to stay buoyant, picking up speed through the increased foreign purchasing power of the D-Mark.

Much of the airport's future growth will be accommodated by the new terminal, which is being used by 20 foreign airlines and will take up to 9m passengers annually in a few years. When it opened last October, it met a critical onslaught over its size and facilities. So intense was this that Mr Wilhelm Bender, chairman of the airport company, issued a statement calling it "inappropriate, unfounded and illogical". Responding to charges that terminal two had too little capacity, he recalled that terminal one was designed in the 1970s for a maximum of 20m passengers and now handled nearly 35m a year.

With its elegant, eye-catching glass and steel structure, its polished granite floors and its light, airy ambience, the terminal is impressive. Close attention has been paid to speed of baggage handling, environmental standards and passenger comfort. But critics say it has too few gates and check-out counters for today's aircraft, having been built for 600-800 superjumbo jets that will not fly until the next century. The airport admits some of the criticisms, but says it was necessary to plan for the largest aircraft likely to use the airport. Mr Bender calls the terminal "probably the best in the world". Airlines and passengers will pass the final verdict.

Andrew Fisher

Frankfurt airport expects 53m passengers by the year 2010 *Sarah Murray*

The passport dilemma

The expansion plans of Amsterdam's Schiphol Airport require it to overcome some entrepreneurial environmental campaigners.

Schiphol wants to build a fifth runway, but the campaigners have bought a piece of land which stands in the way. They refuse to sell, so Schiphol will have to go to court to buy it off them.

In spite of the opposition, however, Schiphol's expansion plans are well advanced. The airport had 23.6m passengers last year. By 2015, it expects to have 40m, with an additional 5m using the high speed trains that will be linked to the airport.

About 40 per cent of Schiphol's passengers never leave the airport. Schiphol specialises in providing facilities for transit passengers, who use the airport as a base to catch connecting flights.

Rival airports are also aiming to capture this business. Of Heathrow's 51m passengers, about a third are in transit. Heathrow hopes to see passenger numbers grow to 80m in the next century.

Schiphol knows it cannot be that big. Mr Hans Smits, its president, has said that instead of being the largest airport in Europe, Schiphol should aim to be the best.

Schiphol already boasts a long list of awards for being Europe's top airport. It invested Fl 395m last year in new facilities and renovation. This year, it will spend a further Fl 440m. Among the additions will be Schiphol Plaza, a large new shopping centre and railway station.

The Dutch government earlier this year gave its backing to expansion plans for the next 20 years. Both chambers of parliament in the Hague will now debate them, with Schiphol hoping for ratification by the end of this year.

The expansion plans will include the fifth runway. At present, Schiphol uses only two of its four runways at any one time, depending on the direction of the wind. The new runway would enable the airport to make use of three runways in good weather. Schiphol hopes to have the fifth runway in action by 2003.

The airport's ambitions go further than just providing an air hub. Schiphol hopes to be a centre of air, rail and road traffic. It has plans to link the airport with high speed train networks in France, Belgium, the UK and Germany.

One change that Schiphol will not make is building a new terminal. The airport has only one terminal, which it regards as an important advantage in attracting transit passengers, who do not have to travel from one building to another.

Schiphol is Europe's fifth busiest airport behind Heathrow, Frankfurt and the two Paris airports, Charles de Gaulle and Orly. On an international scale, it is only the 22nd biggest airport in the world.

However, it has tried to use its relatively small size to its advantage. It specialises in bringing in passengers from regional airports in the UK and Germany. They arrive in small aircraft to catch flights to destinations all over the world.

Air UK, the independent carrier, is the second largest airline at Schiphol after KLM. About 20 per cent of the airport's passengers are from the UK.

Schiphol has invested in facilities to entertain transit passengers. It has just opened the world's first airport casino. It also offers a computer-simulated golf game, saunas, sunbeds and a fitness centre.

One development which has made life difficult for those who run the airport, however, is the Schengen agreement, which removes border controls between the Netherlands, Belgium, Luxembourg, France, Germany, Portugal and Spain.

The agreement, which came into effect last month, means that passengers travelling between these countries do not have to show their passports. Schiphol currently asks passengers travelling within the Schengen area to pass through a turnstile rather than passport control. They are then issued with a plastic card which enables them to bypass the queue of those waiting to show their passports.

By the end of this year, however, Schiphol will put in place a longer-term arrangement, in effect partitioning the Schengen passengers from the non-Schengen customers. Dividing the airport in two will, to some extent, end Schiphol's policy of having one integrated terminal.

The airport has a further worry. Should the UK ever decide to sign the Schengen agreement, Schiphol would have to make that section of the airport even larger. The integration of Europe, something the people at Schiphol have long advocated, is posing costly dilemmas for this most European-minded of airports.

Michael Skapinker

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BUSINESS AIR TRAVEL 7

Frustration en route

Passenger volumes continue to rise steadily at Roissy-Charles de Gaulle Airport on the northern outskirts of Paris, but as the complex celebrates its 21st birthday this year, rising competition and its venerable age are posing challenges for the future.

First discussed as a second airport to Orly, in the southern Paris outskirts, in 1957, Charles de Gaulle has outstripped its rival and handled 28.7m passengers last year.

For travellers flying between Paris and other international cities, the choice has increased this year with the opening of Orly airport to non-French airline companies often flying to the same destinations.

A new challenge for those in transit between Paris and London has come over the last few months from the Channel Tunnel. For roughly the same price and the same three hours that it takes to get between the two city centres by air – including the disruptive transport links at either end – train travellers can sit in comfort and work uninterrupted.

At the moment, some of the advantages may still be in favour of air travel, given the intense price competition the tunnel has triggered between airlines, as well as the far greater number of flights compared to the relative paucity and inconvenient timings of the trains. But this is likely to change in the next few months.

While the problem is not unique to Paris, transport between the airport and the city centre can be frustrating. A taxi journey can take just 30 minutes at off-peak times, but during the rush hours it can last well over an hour and sometimes longer. Similar traffic difficulties – though at a cheaper price – accompany the Air France buses that shuttle passengers to and fro.

The alternative is public transport, which generally can be far quicker and more reliable as well as cheaper even in busy periods – but without the comfort of any special luggage space for travellers. The trains also give no indication – heading either to Orly or Charles de Gaulle – of which terminal or gates serve different destinations or carriers.

More frustrating, those travelling by the RER or suburban railways to Roissy have no equivalent to the driver-less train at Orly that brings them to the terminals. They have to wait for a bus, sometimes 10 minutes.

However, transport connections are improving. A TGV station, serving the French high speed train network, now deposits customers directly at Terminal 2, which has also recently been furnished with its own RER stop. Under current plans, a new driverless train will link passengers to Terminal 1 and the existing RER stop by 1997.

One factor that continues to influence the reliability of airline travel in France is strikes. The notorious heyday of labour disputes with air traffic controllers seems to have passed, but other disruptions remain relatively common: airline catering, baggage handling, ground staff or pilots may all have a ruinous effect on a tight timetable even if the strike only lasts one day.

Other issues are more within the control of the airport authorities. Passenger surveys highlighting frustrations with the appearance of the buildings, some of which are now getting old and tired, have encouraged them to engage in extensive renovations.

Aeroports de Paris, which runs Roissy and Orly, also insists that it has responded to periodic concerns that food or drink are too expensive: it says it requires its *concessionaires* to provide at least one snack and drink at the same price as in the centre of the city.

It says the airports are adequately served with shops and are unlikely to become more like Gatwick or Schiphol, with enormous growth in the number of stores. "We are not a supermarket or a shopping mall. We don't want passengers saying 'what's this souk'?"

Plans for a third runway at Charles de Gaulle have been put on hold pending an inquiry into airports for the Paris region begun by the French minister of transport. Meanwhile, passenger volumes are growing.

Andrew Jack

Profile of Asia's top airport. Its rivals are fighting back (below)

Secret of Changi's success

Singapore, with its rules and regulations, its carefully manicured highways and spotless shopping malls, is not to everyone's taste. Western visitors expecting to find part of the exotic east may be disappointed. The world of Somerset Maugham and Joseph Conrad is submerged in a mass of modernity, writes Kieran Cooke.

But only the most churlish of visitors would find anything wrong with Changi airport which, since 1981, has served as Singapore's gateway to the outside world. Year in, year out, Changi is voted top, or near the top, of the list of the world's best airports.

Last year 21.6m passengers moved through Changi, up from 19.3m in 1993.

The secret of Changi's success is planning. When initial discussions were held in the early 1970s about building a new airport in Singapore, some bold projections were made about the island republic's growth and the amount of passengers – both tourists and businesspeople – who would be using the new airport.

Those projections, seen as over-optimistic by some, proved to be accurate. Singapore's annual economic growth has been near 10 per cent over the last 20 years. Multinationals have poured thousands of millions of dollars of investment into plants in Singapore. Per capita incomes have risen to levels that surpass Australia and New Zealand and many European countries.

As a result, passenger movements in and out of Singapore have increased dramatically. The old Payar Lebar airport had 4m passenger movements in 1975. By 1985 Changi was dealing with 10m passengers. Capacity is now being expanded to cope with around 40m passengers a year by the end of the century.

With land shortages one of Singapore's main problems, more than half Changi's total initial area had to be reclaimed from the sea. In addition, about 200 hectares of swamp land had to be cleared. When the first phase of the airport was completed in 1981, development work on the second phase started. Construction of a second terminal began in 1986 and it opened for operations at the end of 1990.

Both terminals are being refurbished and enlarged at a cost of over S$500m ($355m). There are now plans to start building a third terminal in 1998-99, doubling capacity yet again to around 80m passengers by early next century.

Through such forward planning Singapore has been one of the few airports to keep up with Asia's dramatic economic growth of recent years.

Changi has a skytrain which links its two terminals. Baggage trains between the two can transfer luggage in three minutes. The Civil Aviation Authority of Singapore (CAAS), which operates the airport, sets a target for baggage retrieval: the first bag should be on the conveyor belt within 12 minutes of an aircraft docking, the last bag there in less than 30 minutes.

Such efficiency is vital. Weary travellers do not want to wait an hour for luggage. Nor do they want to wait the same length of time in an immigration queue. Singapore's immigration officials try to have the arriving passenger waiting no longer than eight minutes during peak times.

Changi does not have just the usual array of airport shops. It also has business centres with secretarial services, free phone service within Singapore, a free city tour service, fitness centres and saunas, restaurants, a swimming pool and a jacuzzi. Particularly popular among business travellers are day rooms that can be booked in six-hour blocks for S$50.

With the growth of Changi's facilities, more airlines are using Singapore as a hub for flights within the region. A total of 66 airlines now use Changi, operating flights to 124 cities in 56 countries.

Changi has had several planning advantages. The Singapore government believes in an integrated planning approach, with facilities built to complement each other. The road connections to Changi are excellent: it takes about 20 minutes to reach the town centre from the airport. Buses run regularly, an efficient taxi service is in operation. To accommodate an expected increase in passengers, the government is likely to give the go-ahead later this year for an extension to the airport of the mass rapid transit railway system.

While Singapore's size has made some aspects of the planning for Changi a simpler matter than for other airports, CAAS does face problems. "Being able to achieve the rapid rise in passenger traffic we target is not only dependent on facilities at Changi," says Mr Fong Kok Wai, the airport's director of engineering. "Other sectors have to grow to meet the traveller's needs. Singapore will need more hotel rooms, more conference centres, more restaurants. Our small size helps us but it is a constraint as well."

Other factors could limit Changi's growth. Singapore only has limited airspace and might find it difficult to cope with a big increase in flights. Much of Changi's development will also depend on other countries in the region updating their aviation facilities, particularly *flight control systems*.

In 10 years, they'll catch up

The heady economic growth throughout Asia is translating to increasing congestion at some of the region's main airports. Such hubs as Bangkok, Hong Kong's Kai Tak, Tokyo's Narita, Kuala Lumpur and Seoul are rapidly running out of space, writes Emily Juste.

At the root of the problem is either insufficient runway or terminal capacity. It will be some years before the situation improves.

The one shining exception to this gloomy picture is Singapore's Changi airport, which has plenty of space. The region's governments are not blind to the lead that Changi has grabbed. Airport projects are on the drawing board throughout the area but, for all that, no relief is in sight for the delayed traveller until almost the turn of the century.

Tokyo's Narita airport, for example, has a runway shortage and a restriction of the number of aircraft movements. It has found a solution to the former but cannot improve the latter because of safety considerations.

Narita already has a partially completed runway which cannot be opened until a long-running dispute is settled with those who own the land. Though there has been progress, some farmers have still to surrender their land voluntarily. It may be some time before a typically Japanese compromise can be reached.

It is hoped that the pressure on Tokyo will be alleviated in the long term by the new airport in Osaka. Kansai International opened last autumn. There is a frustrating lack of direct flights between Kansai and Narita but it is planned that Kansai will become the main gateway to Japan.

It's a state-of-the-art airport, built on a man-made island and connected by a 2.5 mile bridge. It operates 24 hours a day and offers one runway (there are plans to build two more in the next century) and a mile-long terminal building in the shape of a glider.

Driverless shuttles transport passengers from one end of the four-floor building to the other in 90 seconds.

Next to Changi, it puts Kansai in the vanguard of airport design and efficiency both regionally and globally.

Not for long, though. Next to open in the region, barring political wranglings, will be Hong Kong's Chep Lap Kok on

Lantau island in 1997. It is reportedly one of the largest infrastructure programmes in the world. Costing HK$158.2m, phase one, with one runway, will process 25m passengers annually while by 2040 and with a second runway operating, it will be able to process 87m passengers.

It will have a 24-hour passenger terminal facility and road, rail and ferry access. It will be linked to Hong Kong and Kowloon by three bridges and a 34km-long airport railway, offering express links with Hong Kong Island in approximately 23 minutes.

It's a far cry from Hong Kong's current airport, Kai Tak, which has long been an embarrassment to the former colony. Even the best paying customers flying through have little choice but to await their flights on uncomfortable moulded plastic seats as few of the airlines offer lounge facilities due to lack of space.

Hong Kong's single runway is laughably insufficient, while its difficult approach route – close to blocks of tenement flats and rocky terrain – reduces the number of fair weather landings.

Kai Tak offers showers (only inside toilets in the departure hall), banks, bureaux de change, ATMs, post office and credit card phones.

In 1998, Malaysia will open a gateway at Sepang, southwest of Kuala Lumpur, that will be able to handle 25m passengers a year. The plan is that it will augment KL airport, rather than replace it, taking off some pressure.

At the start of the new century another new Asian airport opens. Seoul's new 24-hour Yongjong airport – with capacity for 27m passengers – is currently on schedule despite difficult building conditions. The 56 sq km site is being built from three existing islands – Sammok, Yongyu and Shinbul – and some 46 sq km of land is being reclaimed. Sea walls are being built to encompass the area and then land filled to make it usable.

It will have two runways and, being located over the sea, no noise restrictions. It is likely that by the year 2020 some 535,000 aircraft movements will be achieved. Aside from a state-of-the-art terminal, it will offer a business centre, substantial conference facilities and shopping malls.

With two runways, two international terminals and one domestic terminal, the current airport, Kimpo, is at breaking point. It will be turned into a cargo airport once Yongjong opens. Kimpo now offers a post office, ATMs, credit card phones, banks, and bureau de change facilities.

Of the major Asian cities, Bangkok will be the last to open a new airport, It is planned to open early in the next century west of the city at Nong Hao. It will have an 80m-passenger capacity and be linked to a rail and/or road system to downtown.

Bangkok's current facility, some 22km from downtown, is a nightmare to travel to and from. Once there, though, travellers will find banks, post office, ATMs, bureau de change, day rooms and showers (in toilets).

Within the next decade the major Asian hubs will have matched the facilities now available at Singapore's Changi airport. In the meantime, however, business travellers will have to be patient.

Kate Bevan considers the advantages of a separate lounge

No backpackers in sight

The worst thing about airports is the other people. There are backpackers with their unwieldy rucksacks and families with noisy children – but a business or first class boarding pass is also your passport away from all this.

Most airlines with any hope at all of attracting premium-class passengers will have separate lounges in airports all around the globe. These provide a place away from the noise and bustle of the terminal and a quiet area in which to relax or catch up on work. They used to be fairly standard: a scattering of sofas and comfortable chairs, plus some business facilities such as telephones and faxes.

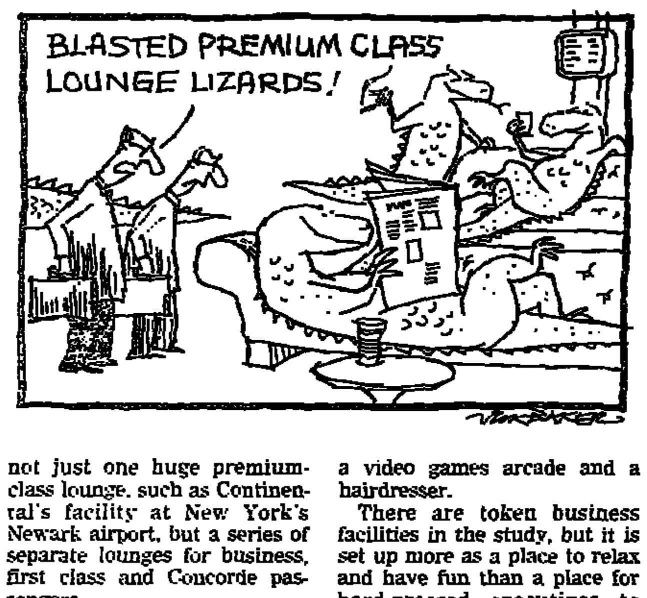
But as competition for premium-class passengers has grown, airlines are having to pay as much attention to them on the ground as in the air, and lounges are the aces up their sleeves.

As well as the usual seating, drinks and snacks, many airlines now offer wash-and-brush-up facilities ranging from lavish marble toilets with real hand towels to proper showers.

Streets ahead of any of the others for this is British Airways' arrivals lounge at its home base at London Heathrow's Terminal Four. Here, crumpled business and first-class arrivals can fall off the aircraft into a hot shower. The facilities are excellent: private cubicles provide enough room to change and keep your clothes out of the way of the water while attendants will press clothes and provide basic toiletries. It makes all the difference when arriving after an overnight flight, and is probably the best chance you have of turning up to that early-morning meeting without looking like death warmed up.

The arrivals area is part of BA's lounge complex at Heathrow where premium-class passengers are cossetted before getting on their flights. It is not just one huge premium-class lounge, such as Continental's facility at New York's Newark airport, but a series of separate lounges for business, first class and Concorde passengers.

British Midland's Diamond Euroclass Lounge at Terminal 1, Heathrow



BA's rival, Virgin Atlantic, also has paid special attention to its lounge at Heathrow. This is completely different from the usual pale-wood panelled room with chairs. Called the Clubhouse, Virgin's £1m facility boasts a bar, gambling facilities, a music room with state-of-the-art stereo and CDs, a video games arcade and a hairdresser.

There are token business facilities in the study, but it is set up more as a place to relax and have fun than a place for hard-pressed executives to catch up on work. The latest addition is a plane-spotter's idea of heaven: the conservatory is a rooftop area reached via a spiral staircase with a view of the aircraft.

The trouble with superb facilities such as BA's arrivals lounge and Virgin's Clubhouse is that visiting lounges at other airports afterwards can be a disappointment. For example, Virgin's lounge at Boston's Logan airport is much more in the style of bland hotel lobbies, and does not have private toilets – you have to use the facilities in the terminal building, while BA's lounges at Washington DC's Dulles airport are rather small and quickly get cramped if flights are full.

Access to some of these lounges can be confusing. You should expect to get into them if you have a business or first-class boarding pass, but your membership of a frequent flyer club will not necessarily open the door.

British Airways has come in for some flak in the business travel press recently as customers have complained about their frequent flyer status being downgraded because the lowest tier – blue – does not allow access to lounges. BA is defensive about this, remarking that the whole point of tiers of membership is to reward loyal customers. But it says it will look sympathetically at genuine pleas: for example, if a woman tells the airline she is on maternity leave and will not be travelling so much, BA may exercise clemency.

Another wrinkle is that, if you travel on domestic Qantas flights within Australia in business class, you will not be allowed into the Qantas Club lounges unless you also have an international business class ticket or are a member of the Qantas Club. This is bad luck for domestic passengers as Qantas lounges are good at its terminals Down Under: understated navy blue decor, lots of room and free local phone calls as well as the usual range of drinks, snacks and business facilities. In Melbourne Qantas has two lounges, one landside – before passport control – and one airside, which means there is less pressure on space at this busy gateway.

Crowds can be a problem in some lounges, particularly at peak time, and this is one of the reasons that entry-level frequent flyers may be barred. Lounges in Bangkok can get very busy as it is a refuelling and transit point for many carriers between Australasia and Europe. Garuda, the Indonesian airline, admits that its lounge at Denpasar, Bali, is a bit cramped, but its base at Jakarta's new airport is much more spacious. Unfortunately for those who dislike the habit, many lounges in Asia do not have smoking restrictions.

After all this lounging, getting on the aircraft can be an anti-climax, unless you happen to travel with one of the carriers which has upgraded its business class with bigger seats, such as Continental. This airline has done away with first class on its transatlantic routes, while Qantas is also installing bigger, more comfortable seats on many of its international routes. However, Virgin, which pioneered the upgraded business class concept with Upper Class, has characteristically gone one stage further by introducing lounges on board its aircraft.

Upper Class passengers can prop up a bar in the cabin as soon as the seatbelt sign is switched off, and when that becomes too much like hard work, there are comfortable sofas on which to sleep it off. Some have griped that this area has become a noisy refuge for smoking insomniacs – but it beats being squashed into an economy seat.

Clive Cookson, Science Editor, offers suggestions

The best ways to fight off jet lag

However frequently you travel, you will never get used to jet lag. Flying across several time zones inevitably disrupts the biochemical clock that has evolved to keep our minds and bodies in step with the natural cycle of day and night. The symptoms include tiredness, disorientation, headache and loss of appetite.

But people vary in their susceptibility to jet lag and, for any individual, its severity on a particular trip will depend on circumstances. There are things you can do to alleviate its impact.

Many bizarre remedies have been recommended for jet lag, from drinking your own urine to wearing brown paper socks. There is also a wealth of sensible advice about what to eat and drink before, during and after the flight, and how to time your sleeping and exercise. For example, to avoid dehydration in the air you should consume as much water or soft drinks as possible – and resist over-indulgence in wine or spirits.

When you reach your destination, force yourself to fit in with the local time immediately. If you fly from London to Los Angeles, for example, and arrive at 6pm Californian time – 2am according to your body clock – do not sink into bed for a long nap. However shattered you feel, try to stay up at least till 10pm: then you stand a reasonable chance of sleeping until dawn.

Several pills and potions are sold as jet lag remedies, including various combinations of amino acids, essential oils and other dietary supplements. Homeopathic practitioners recommend arnica. Herbal enthusiasts drink camomile tea. Any of these may help, if you believe in them.

The most effective treatment seems to be melatonin, a natural hormone produced by the pineal gland, which plays a key role in regulating the circadian rhythm. Melatonin production is stimulated by darkness and suppressed by daylight.

Melatonin is a simple, easily synthesised chemical, and it is quickly absorbed by the body from tablets dissolved under the tongue. Scientific tests on small groups of volunteers over the past decade have shown that melatonin, taken at bedtime, cuts the adjustment period after an intercontinental flight by about a third, without side-effects.

Sadly, no clinical trials have been carried out on the scale required to register and sell melatonin as a pharmaceutical product. Drug companies have taken little interest because melatonin would have no patent protection as a treatment for jet lag. Attempts are being made to design a patentable "melatonin analogue", a different molecule that would perform the same clock-setting function as the natural hormone, but these are several years away from yielding a commercial product.

Meanwhile melatonin tablets are being manufactured

Melatonin is quickly absorbed from tablets dissolved under the tongue. Taken at bedtime, it cuts the adjustment period by a third

and sold in the US and UK as a nutritional supplement – with no overt claims on the label about inducing sleep or treating jet lag – to get round the regulations. Word-of-mouth recommendations, reinforced by media coverage, are making melatonin increasingly popular; several FT journalists find that it helps to reduce jet lag on trips from London to America and Asia.

On the other hand, some medical specialists are wary about taking a powerful hormone masquerading as a nutritional supplement, when there is no guarantee that it has been manufactured and purified to the highest pharmaceutical standards.

One solution might be for the world's long-distance airlines collectively to contribute several million dollars for a group of university research laboratories to carry out more extensive clinical trials on melatonin. A positive outcome would yield immense goodwill among passengers.

If you don't like taking pills, the next best approach to jet lag may be light therapy. Daylight is a powerful natural stimulus to synchronise the body's internal clock with the outside world; it has the opposite effect to melatonin.

Bright artificial light, equivalent to sunlight an hour or so after dawn, can also reset the clock. This should come from a special light box because ordinary room lights are too dim.

But you have to be extremely careful about the timing. The internal clock is most sensitive to light at the point when the body temperature is at its minimum; this is normally towards the end of the night, at about 5am. A burst of bright light shortly before the minimum delays the body clock; after the minimum, light advances the clock.

If you have just flown from New York to London, for example, your critical minimum point is 5am New York time – 10am in the UK. To advance your internal clock, avoid bright light before mid-morning and then go out into daylight or use a light box for a couple of hours before lunch.

Flying in the opposite direction, from London to New York, the sensitive point is midnight New York time (5am London time). You need bright light for a period before then, to set back your internal clock. In the summer the evening sunshine may do the trick but in winter you will need a light box.

An increasing number of international hotels, such as Tokyo's Okura, offer guests a light box as part of a "jet lag survival plan".

The advice, then, is for the westward traveller to go out into the daylight for a couple of hours before dusk or use a light box in the evening. The eastward traveller needs bright light around the middle of the day – if such activity is compatible with business meetings.

More generally, the best way of fighting off jet lag is not to rest more than usual but to pursue an active routine of work and play, following the same timetable as local residents. Eat, drink, work and sleep when they do.

The aim is to reinforce all the social and environmental stimuli which re-set the body clock. And exercise as much as possible. There is evidence that physical activity speeds up the synchronisation process and reduces jet lag.

■ **Traveller's tale:** Jan Fletcher

The missing luggage

On arrival in Paris last year, Jan Fletcher, Veuve Clicquot 1994 businesswoman of the year, realised Air France had lost her luggage.

As she was due to speak in Reims that night to businesswomen from 13 countries, to lose her suitcase with all her clothes was a substantial inconvenience. Four hours later, Air France had found her luggage, but by then it had lost a customer.

"The staff's attitude was diabolical," she says. Mrs Fletcher, a Yorkshire-based car dealer, restaurateur, property developer and pilot, has strong views on airlines.

British Airways, once a favourite, has lost its edge, she says. It must be hard to maintain the level of service in such a large organisation, but BA staff attitudes have deteriorated, she adds, although the Concorde service to New York is still excellent.

The airlines she admires most are Qantas of Australia for long-haul flights and British Midland for shorter trips.

Mrs Fletcher flies regularly, mostly in Europe and to Australia, where she has family and business interests. The Leeds-based Fletcher group, which she chairs, has six large motor dealerships selling Rover, Peugeot, Volvo, Citroën, Ford and Saab. The company is one of the top 100 car dealer groups in the UK.

She is critical of airlines which offer poor service because she believes the way she treats her own customers has been central to the survival of her business. When many dealerships went into receivership during the recent recession, Fletcher remained profitable throughout. Providing a high level of service was the key, she says.

An accountant and Master of Business Administration, Mrs Fletcher began her business career by buying a bankrupt haulage company in 1975. She returned it to profit, expanded into commercial vehicle sales and sold it in 1983.

In 1984, she invested in the Fletcher group, then owned by the man who is now her husband. Shortly afterwards, she took control of it when her husband retired for health reasons. In the same year, she bought Bryan's fish and chips restaurant in Headingley, Leeds. It serves 10,000 customers a week and has won the Good Food Guide's fish and chip restaurant of the year award several times.

In 1993, she launched a magazine called the *Leeds TV Express*, recently acquired by the *Yorkshire Post*. She also has property interests in the UK and abroad. Named Businesswoman of the Year in 1994 she also won the award of Yorkshire Woman of the Year.

Her business interests mean she flies regularly to cities such as Paris, Dusseldorf, Cologne and Madrid. When visiting her dealership in Gateshead, she occasionally flies herself from Leeds-Bradford airport, piloting a small Cessna in which she has a share.

Mrs Fletcher has had a pilot's licence for about five years and mostly flies for recreation. As a pilot, she has little interest in looking out of the window when she is a commercial passenger and usually opts for an aisle seat, preferably one near the exit.

She always flies business class, as she feels first class is not worth the additional cost. "It's a little over the top, even for people who can afford it," she says.

Business class, on the other hand, is worth paying for rather than economy because of the airport lounge where she can make telephone calls in privacy. Business class also has more space on board than economy, which makes it easier to work.

Mrs Fletcher always works on flights, often ploughing through the trade magazines she has no time to read in the office. She has no interest in on-board entertainment via the latest personal television screens. "I'm sure they're a plus point for travellers generally, but not for me," she says.

On the other hand, she regards the prospect of telephones and fax machines on board as an exciting development which would be useful.

She collects frequent flyer points but, unlike many travellers, they are not uppermost in her mind when she decides what airline to use. More important is convenience, such as what time the flight is and from which airport.

Although she does not pay for first class tickets, she always asks to be upgraded. Occasionally it works, although, beyond the fact that she dresses smartly, she is not sure why.

Michael Skapinker